



HM Prison &  
Probation Service

# Annual Report and Accounts 2021/22

HC 754



**HM Prison and Probation Service**

# Annual Report and Accounts

**2021/22**

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Section 7 of the Government Resources and Accounts Act 2000.

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# Performance report





# Overview

This section sets out the agency's purpose, vision, principles and outcomes as laid out in the HMPPS Business Strategy: Shaping our Future, which was published in November 2019.

## Statement of purpose

HMPPS is an executive agency of the Ministry of Justice (MoJ). The role of HMPPS is to carry out sentences given by the courts, in custody and the community, and rehabilitate people in our care by addressing education, employment, accommodation and health and substance misuse needs.

## MoJ priority outcomes

As part of the Ministry of Justice, we deliver two of the department's long-term Outcome Delivery Plan (ODP) priority outcomes:

1. Protect the public from serious offenders and improve the safety and security of our prisons.
2. Reduce reoffending.

## HMPPS vision and principles

In November 2019 we published our HMPPS Business Strategy: Shaping our Future. The strategy sets four strategic principles which, if we apply them to our work, will help us reach our vision of working together to protect the public and help people lead law-abiding and positive lives:



**Enable people to be their best**



**An open, learning culture**



**Transform through partnerships**



**Modernise our estates and technology**

## Prison Strategy White Paper

The Prisons Strategy White Paper was published in December 2021, setting out our vision for prisons:

- to build the next generation of prisons
- to deliver an estate that is safe and secure for staff and prisoners
- to develop prison and probation services that cut crime and protect the public

The full [Prisons Strategy White Paper](#) can be found at GOV.UK



# Foreword by the Chief Executive Officer



I am delighted to have taken up the role of Chief Executive Officer for HMPPS, alongside Phil Copple as our new Director General for Operations. I would like to start by passing on my sincere thanks to Jo Farrar for her leadership as Chief Executive Officer over the past three years, during an extremely challenging time for HMPPS as we continued to provide our vital services throughout the Covid-19 pandemic.

This is an exciting time to be a part of HMPPS. In recent years, we have not only met the challenges of the pandemic but also delivered on our commitments to reform and unify the probation service, build new and better prisons and look at new and innovative solutions to challenges across the justice system. We are continuing our work in youth custody to create an education-focused, child-centred service.


We are an evolving organisation, with a renewed focus on supporting frontline staff to deliver excellent services across prisons, probation and youth custody. By redesigning our HQ structure, we are empowering local leaders and giving them

greater autonomy to make the changes that will support us in our shared mission to reduce reoffending and protect the public – delivering better outcomes for the communities we serve.

I am proud of our probation unification programme, bringing together colleagues from across the former Community Rehabilitation Companies and the former National Probation Service to create a new, unified Probation Service. This achievement is shared by colleagues across HMPPS and MoJ, and enables us to build upon past achievements and progress further our ambition of delivering excellent practice across all we do. We will continue to improve probation performance with vigour and pace by recruiting staff at unprecedented rates and continuing to improve the probation estate and our use of digital tools.

In February 2022, we opened our new prison: HMP Five Wells. We cover this huge milestone in greater detail later in this report but it is worth highlighting because it represents a major step towards delivering new, modern prison places and is part of a wider programme of modernisation and improvement in our estate. We will face some significant challenges with the supply and demand for prison places over the next few years. This will be a priority for our leadership team for the foreseeable future.

Our staff are the key to our success. The frontline staff, who work in our prisons, youth estate and who deliver our community services are at the very heart of what we do. Like many other



organisations, we experience significant challenges in recruiting and retaining staff. But it is vital that we have enough staff with the right support and training to deliver and with that in mind we have worked to improve our pay and benefits offer this year. We will continue our work in the coming year, to ensure that HMPPS remains an attractive place to work, which celebrates and retains the highly skilled, diverse and passionate staff who deliver our services every day. They deserve the best possible working environments and support so they can continue their vital role in protecting the public and reducing reoffending.



**Amy Rees**  
Chief Executive Officer,  
HM Prison and Probation Service

## How our services are structured

In 2021/22 we provided our services through

**2** secure training centres\* and  
**8** secure children's homes with justice placements



**119** prisons and Young Offender Institutions (YOI)†  
**105** public sector  
**14** contracted



**12** probation service regions  
**101** approved premises‡



Prison population:  
**79,773**  
in England and Wales



Foreign nationals in prison:  
**9,661**  
(2,636 remand, 6,216 sentenced and 809 non-criminal)

Youth secure estate population:  
**498**

People on probation:  
**240,922**



Data as at 31 March 2022

\* Through June and July 2021, children and young people were removed from Rainsbrook STC and no new placements have been made

† including 5 Young Offender Institutions for 15-17 year olds (4 public sector, 1 contracted)

‡ 101 Approved Premises of which 10 were temporarily closed at various points during the year. As at 31 March 2022, 96 were open and 5 closed

# Performance summary

This section provides an overview of the agency's performance, including performance against its principles and the impact of key challenges on operational delivery.

## COVID-19 recovery

Last year's report set out the steps we had taken to protect both our staff and offenders from COVID-19, with their safety as our top priority. The national framework covering prisons and youth custody (published in June 2020) and the introduction of extraordinary delivery models across probation allowed us to keep delivering critical public services. As a result of the necessary decisions that were made to minimise the risk to life, we were unable to deliver some of our services, with performance assurance and reporting activity also put on hold and resumed in April 2021.

In 2021, to mitigate the risk of COVID-19 entering and spreading between prisons, we continued implementing extensive asymptomatic testing alongside the effective rollout of a vaccination programme that mirrored that in the community. Both programmes significantly reduced hospitalisations and saved the lives of our staff and those in our care.

Necessary COVID-19 controls impaired normal prison operations and activity related to rehabilitation and wellbeing. Recovery progression was underway until

the emergence of the more transmissible Omicron variant in December 2021. In response to the rapid spread of the new variant, it was necessary to implement measures in prisons to help keep prisoners and staff safe. We asked all prisons to implement Stage 3 COVID-19 controls of the national framework, which included social distancing and a reduction of mixing and movement.

The longer-term impact of those decisions means that annual performance information presented before and during the pandemic, as well as throughout recovery, are not directly comparable.

In February 2022, the government published its 'Living with COVID-19' strategy. The time was right to also move towards a more normalised approach across the HMPPS estate. We will now rely on a core set of measures that seek to retain our infection resilience while minimising disruption to the delivery of our services. This will continue to be supported by swift and proportionate local intervention where public health incidents occur, where outbreaks are found, or to respond to significantly escalating risk.

Learning from our response to the pandemic will allow us to build back better, making us better equipped to deliver our most important priorities, guided by our strategy. This will include taking forward the key recommendations from the formal lessons learned review. A core team has been retained to monitor the COVID-19 risk, support prison

establishments, to prepare for any further response and to escalate this for action if required.

## Recruitment and retention

Across HMPPS we have experienced significant challenges with recruitment and retention, which has led to a deteriorating position against our target staffing figures. The COVID-19 pandemic severely disrupted recruitment and training, and a tightening labour market has caused increasing vacancies. The workforce landscape is complex, and these challenges are not unique to HMPPS. However, recruitment and retention rates have posed a significant risk to our ability to operate prison services and rehabilitative activity at the desired level. Pressures on staffing levels have been masked by COVID-19 regime restrictions and as we moved to normal operating models, we expected performance levels to be challenging.

In 2021/22 we launched an enhanced exit interview to better understand why employees are leaving the prison and probation service. We also launched a retention toolkit to help senior leaders identify top drivers of attrition and suitable interventions. We targeted action in prisons and probation regions with the lowest job retention rates to understand why this is happening and had recruitment activity ongoing for all sites with a recruitment need.

To mitigate these challenges, we have reviewed recruitment marketing and communications materials for all

operational posts at a national and local level. As part of this work, we included increased support to applicants through informative webinars to assist them at each stage of the process.

### Prison workforce

We are committed to recruiting up to an additional 5,000 prison officers, alongside new retention and development activity to support existing staff and reduce attrition. On 31 March 2022 there were 22,002 FTE band 3–5 prison officers in post. Through the year 4,153 band 3 to 5 officers were appointed – an increase of 1,415 (51.7%) compared to 2,738 in the previous year. The number of band 2 operational support grade staff who joined HMPPS in the year ending 31 March 2022 was 1,438 – an increase of 303 (26.7%) compared to the previous year ending 31 March 2021.

3,387 band 3 to 5 prison officers left HMPPS in the year ending 31 March 2022 – an increase of 1,271 (60.1%) compared to the year ending 31 March 2021. 73.9% of prison officers who left in the year ending 31 March 2022 resigned from their roles (up from 58.5% the previous year).

Within the YCS for the 12 months to March 2022, there were a total of 290 joiners, this is an increase in comparison to the year prior where there were 160 joiners.

Within the 12 months to March 22 there were a total of 200 leavers from the YCS, this is an increase on 124 leavers the previous year. The majority of leavers (132) in the 12 months to March 2022 resigned from their roles.

## Prisons: band 3–5 joiners and leavers



Source: HMPPS - Oracle HRMS and Single Operating Platform

We are investing in new initiatives to increase support for new joiners and increase levels of experience in our prisons. These include a peer-to-peer learning scheme, the introduction of mentors for new colleagues, and increased leadership training. We are also undertaking a review and evaluation of the recruitment processes for prison officers and operational support grades, focusing on decreasing time to hire and improving the candidate experience.

As part of the MoJ commitment to the Veterans' Strategy Action Plan 2022–24 we have launched a dedicated fast-track route for armed forces leavers and veterans into a career as a prison officer.

The COVID-19 pandemic necessitated a pause of many staff training courses, resulting in significant training wait lists which has impacted the capability and confidence of operational staff and contributes to the increased attrition rates. Local and group training plans are now in place and a new national training committee will have strategic oversight of this challenge.

The current workforce challenges also impact maintenance activity, prison expansion and capital investment works. Lack of available staff to escort work teams is affecting delivery across the estate and we are working on short term proposals to alleviate those pressures while the longer-term recruitment challenges are addressed.

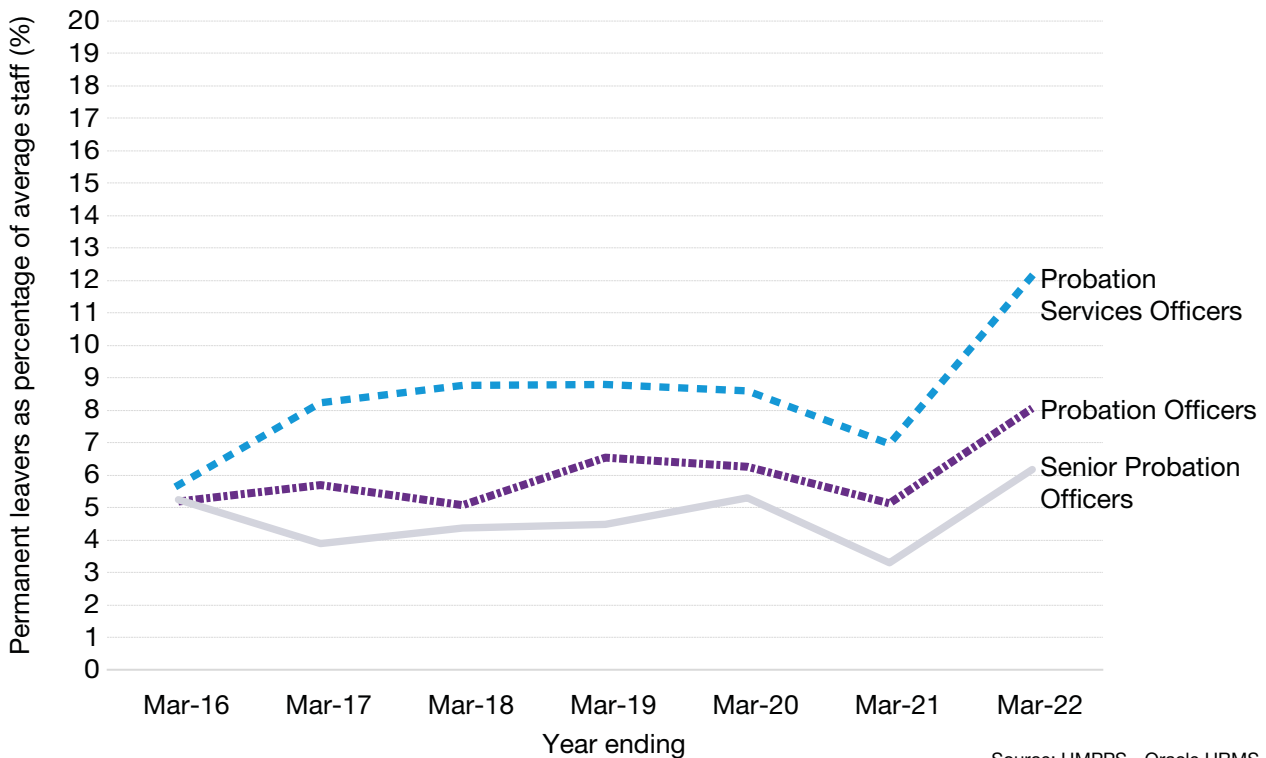
### Probation workforce

As of 31 March 2022, there were 16,711 full-time equivalent (FTE) staff in the Probation Service. This included over 7,000 members of staff that transferred from the private sector Community Rehabilitation Companies in June 2021.


The impact of staff transfer has resulted in an increase of band 4 probation officers by 799 FTE (22.6%) and band 3 probation services officers by 2,968 FTE (94.6%) since 31 March 2021. However, since staff transfer, comparisons between 31 March 2022 and 31 December 2021 have seen a decrease of band 4 probation officers by 152 FTE (3.4%) and an increase of band 3 probation services officers by 364 FTE (6.3%).

Leaving rates fell during the COVID-19 pandemic, possibly due to increased uncertainty in the employment market. Leaving rates have now increased and are continuing the upward trend seen from March 2016 to March 2020. We have recruited an additional 1,500 trainee probation officers in 2021/22, exceeding the national target for our Professional Qualification in Probation (PQiP). Securing that outcome required us to implement significant operational changes to accommodate the new learners, including the introduction of a probation service officer (PSO) pathway and a new part-time learner model.

### Probation leavers



Source: HMPPS - Oracle HRMS and Single Operating Platform



We are reviewing our recruitment and attraction practises for PQiP campaigns to maximise the number of applicants. We have also opened an additional external campaign in seven regions to boost numbers where target applications were not achieved.

We have also centralised the recruitment delivery of our most challenging to recruit to probation regions. Recruitment delivery for six probation regions will be delivered through a resourcing centre of excellence to maximise efficiencies, achieve economies of scale and increase the pace of recruitment.<sup>1</sup>

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<sup>1</sup> Further information on HMPPS workforce is published quarterly in the HMPPS Workforce Statistics publication: <https://www.gov.uk/government/collections/national-offender-management-service-workforce-statistics>



# External scrutiny bodies

HM Inspectorate of Prisons replaced full inspections with reduced format short scrutiny visits, and later with scrutiny visits, during the COVID-19 pandemic. They returned to full inspection activity in May 2021. This year they carried out 37 full inspections and three Independent Reviews of Progress. Additionally, HM Inspectorate of Prisons invoked the urgent notification process at one prison (HMP Chelmsford), which required the creation of an immediate 28-day action plan and further support from the Executive Director's office.

During 2021/22, the operational line has needed to manage the exit from the national COVID-19 framework and recommence a 'post-lockdown' regime. HM Inspectorate of Prisons have been critical of the pace that this has taken place. However, prisons continue to manage outbreaks and the impact of recruitment and retention problems have contributed significantly to this.

HM Inspectorate of Prisons have reported that COVID-19 recovery, staffing shortfalls and less prisoner time out of cell has commonly impacted the ability of staff to build positive and constructive relationships with people in prison. Similarly, through their new methodology, HM Inspectorate of Probation have concluded that the capacity to deliver high-quality probation services has been tested severely through the COVID-19 pandemic restrictions and incremental recovery of service delivery. This is expected to be exacerbated by the

timing of major organisational change in the Probation Service. Thematic reviews have typically resulted in challenging recommendations, with a need for the independent findings to act as a driving force to bring about improvements in practice and performance. Progress against recommendations from thematic inspections is robustly followed up with Senior Responsible Owners at a time agreed with the relevant inspectorate (usually between 6mths and 2 years following the initial inspection) and updated action plans are published. More detail on the work of HM Inspectorate of Prisons, individual prison inspection scores and HMPPS action plans in response to recommendations can be found on their website: <https://www.justiceinspectorates.gov.uk/hmiprisons/>

HM Inspectorate of Probation recommenced remote core local inspections in February 2021. Following unification of the Probation Service in June 2021, a new inspection methodology was introduced and began with inspections of probation delivery units in Wales, which had unified before their English counterparts. More detail on the work of HM Inspectorate of Probation, individual inspection scores and HMPPS action plans in response to recommendations can be found on their website: <https://www.justiceinspectorates.gov.uk/hmiprobation/>

Both inspectorates continued to publish thematic reports throughout the year, including a number of joint criminal justice

reports. This included high-profile reviews of preparation for unification of probation services, community-based drug treatment, mental health in the criminal justice system and electronic monitoring.

Independent monitoring boards continued to uphold their independent monitoring role throughout the COVID-19 pandemic, albeit with some inevitable disruption. 113 annual reports were shared with HMPPS from April 2021 to March 2022.

During 2021/2022 the Prisons and Probation Ombudsman (PPO) commenced investigations into 287 deaths in prison (118 fewer than the previous year), 13 deaths of residents in approved premises (2 fewer than the previous year) and 25 post release deaths.<sup>2</sup>

The PPO made a number of recommendations within reports issued through the year related to (among other subjects), healthcare provisions, emergency response and suicide and self-harm prevention. HMPPS continues to take action in response to these recommendations.

In addition, the European Committee for the Prevention of Torture visited English prisons in June 2021.

Ofsted resumed full and interim inspections in England's secure training centres in April 2021 and Care Inspectorate Wales resumed inspections at Hillside in May 2021. Since resuming, six of the seven secure children's homes in England and both secure training centres have had full inspections.

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<sup>2</sup> Figures taken from the PPO Annual Report 2021/22 <https://www.ppo.gov.uk/document/annual-reports/>

# Financial performance

## Where we spent our money in 2021/22

HMPPS committed gross resource expenditure of £4.5 billion. This was £300 million less than 2020/21, when COVID-19 had a significant impact across HMPPS. In addition to this, £500 million of capital spend was incurred. The expenditure represents a continuing pattern of investment in our prison and probation services.

There remains a continued focus on improving conditions and performance in prisons alongside a drive to implement reform across probation. We have invested in our prisons under our commitment to build additional prison places across our estates and through local initiatives linked to agreed spending priorities – e.g. on safety, decency and security. We continued to invest in the wide-ranging probation change programme, following the successful transition of Community Rehabilitation Companies back to the public sector in June 2021.

## How we are financed

We are primarily financed by funding from MoJ as our parent department. We also generated £300 million of operating income in 2021/22 as a result of various initiatives to generate revenue, in addition to recharges of costs incurred.

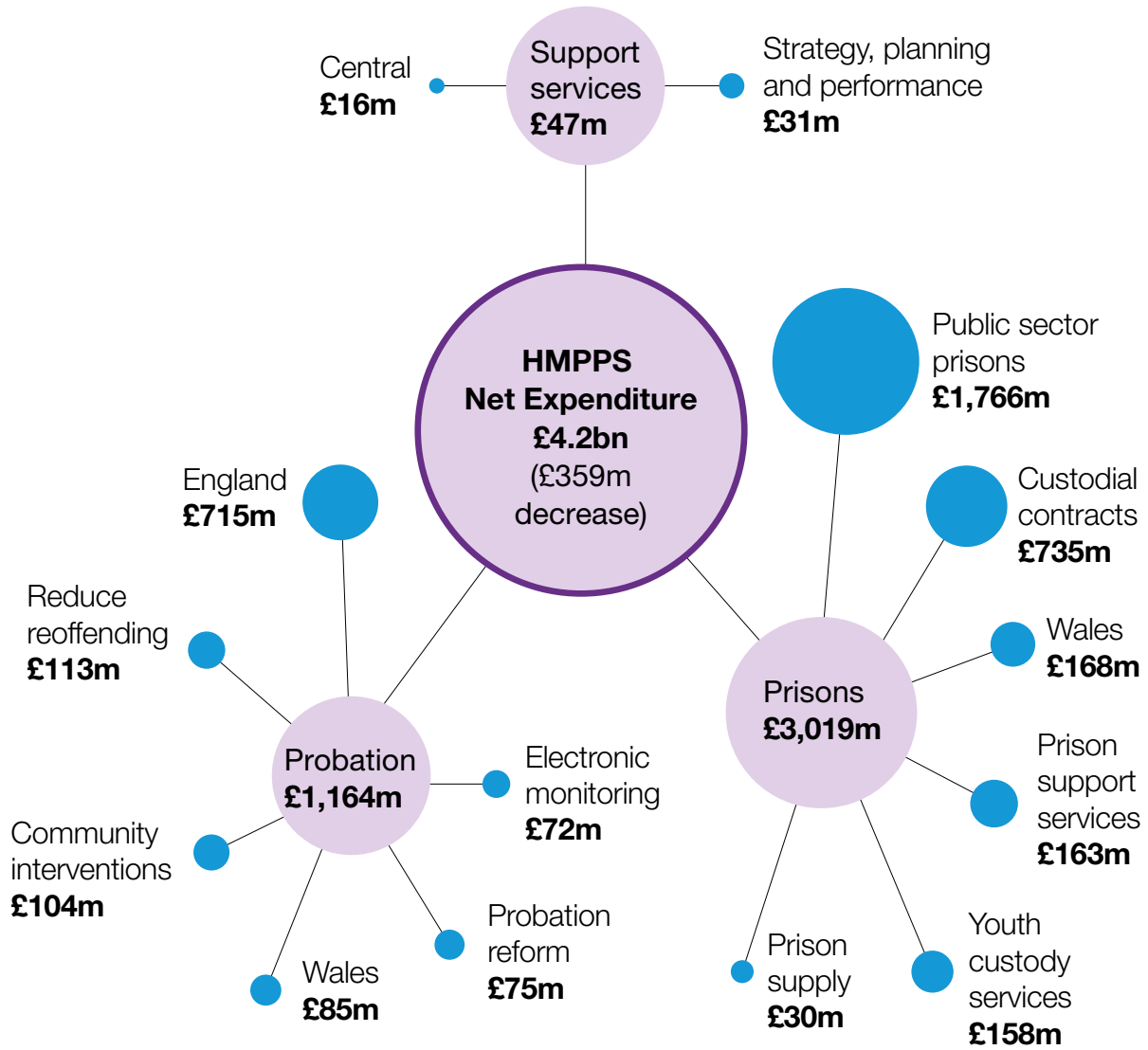
The retail prison shop income comes from a contract providing offenders with a weekly opportunity to make purchases with their own funds for food, hobby materials and other items. It is a self-funding contract, where offender purchases and the margin made on these are used to offset the total cost of the contract. Regional packing workshops are run by the service provider but are mainly staffed by offenders. This presents a quality purposeful activity that allows offenders to develop transferable skills.

HMPPS receives a financial allocation from the European Union via the European Social Fund Managing Authority (Department for Work and Pensions) for delivery of resettlement services to offenders, up to 2023. The funding is used to support offenders who may be disengaged from mainstream activity, in both custody and community settings, to increase employability and provide opportunities to access mainstream services.

We also recover costs from funding partners as follows:

- provision of custodial services to foreign national prisoners, running immigration removal centres and counter terrorism activities (Home Office)
- provision of healthcare services (NHS England, private sector and Welsh Government)

The split of resource departmental expenditure between custodial and community services and support services is set out in the table below:



## Financial management

The MoJ receives authority to incur expenditure via the supply estimates process. The estimate is published twice in each financial year. The main estimate is published at the beginning of the financial year and the supplementary estimate is published towards the end of the third quarter of the financial year. The supplementary estimate provides an opportunity for MoJ to reflect changes in the budgets internally and any movements of funding with other government departments.

At the start of the financial year, budgets are delegated from the MoJ Permanent Secretary as Principal Accounting Officer to the HMPPS Chief Executive Officer. The Chief Executive Officer may then make sub-delegations to other budget holders within HMPPS directorates. Budget holders are required to meet the conditions of their delegation letters and the requirements of the MoJ's financial control framework.

## Finance function

2021/22 was the third full year where the agency's financial management was provided through the MoJ functional leadership model. This model brings together specialists into a single, unified team across the department with the vision of putting finance at the heart of decision-making. Finance business partners working alongside operational colleagues and centres of excellence have been established to support the production of financial and management accounts.

# Performance against outcomes

## Introduction

In this section, we will report on our performance against the headline commitments made in the MoJ's Outcome Delivery Plan 2021/22. We will also set out the impact of key challenges on operational delivery.

## Priority outcome 1: Protect the public from serious offenders and improve the safety and security of our prisons

To keep the public safe from serious offenders we aim to create capacity in our prisons, delivered through new builds and modernisation of the existing estate. This expansion will be complemented by our work to improve safety and security in prisons by reducing contraband that leads to violence, self-harm and crime behind bars. Finally, we will strengthen our counter-terrorism capabilities to address the risks from the highest risk offenders.

## Adult prison estate and capacity

We are committed to delivering 20,000 additional modern places, including 2,000 temporary units, by the mid-2020s. In the largest prison building programme in more than a century, we are investing £3.75 billion to meet the anticipated rising demand for prison places.

### Number of usable prison places

Number of useable prison places (useable operational capacity)

**2019/20: 85,583**

**2020/21: 80,869**

**2021/22: 81,752**

We have already delivered around 2,800 additional prison places through a combination of refurbishments, installing temporary accommodation and opening the new prison, HMP Five Wells in Wellingborough. Construction is underway for HMP Fosse Way in Leicestershire, a 1,700 place Category C prison due to open mid-2023. Main construction work will start at HMP Full Sutton in the autumn, and we expect the new prison to open in 2025. We are also expanding existing prison sites, through construction of new houseblocks and supporting ancillaries including workshops, bringing additional capacity into use by the mid-2020s.

We now have planning permission for over half of the 20,000 places. However, three of the six new prison sites (Garth/Wymott, Gartree, Grendon/Springhill) have had planning permission refused, which are now being appealed. While there remain challenges in the planning process, which impact on our project timelines and costs due to inflationary pressure, the portfolio

continues to explore and implement options to mitigate and address those pressures. Alongside our work to deliver new places, this year we spent £315 million to improve levels of decency and slow the rate at which existing places are lost, which is helping to reduce the risk of our ability to meet future demand for prison places.

## Case study

HMP Five Wells, a purpose-built Category C resettlement prison is the first prison of its kind, and the first new prison to be built as part of the biggest prison building programme in a century. It will make a significant difference to prisoners, staff, and the families of prisoners, helping prisoners to rehabilitate and helping to cut crime – a clear benefit for all.

The new design supports better outcomes by housing men in smaller communities of 60 per floor, with 90% in a single person cell to boost safety and mental health. Workshops and education facilities mean that prisoners always have purposeful activity, and the visits hall allows prisoners to better maintain their relationships with family. Prisoners have in-cell technology (tablets) so they can be self-sufficient in choosing what they eat, accessing education, receiving help with health/addiction issues and make their own appointments for healthcare, visits, etc.

HMP Five Wells was delivered on time and to budget despite the pandemic, receiving its first prisoners in February 2022. It was officially opened by the Deputy Prime Minister Dominic Raab on 3 March 2022. This achievement is testament to the project team working successfully to ensure off-site manufacturing continued and delays in the supply chain were mitigated.

The project has left a legacy that will transform the way that we deliver future prisons, with the successes and lessons learned taken forward to future builds.



## Digital and technology

Digital and technology teams worked creatively to deliver services to prisons throughout COVID-19 restrictions. This year we published the first HMPPS Digital and Data Strategy and replaced the old IT platform with the new MoJ official platform for over 10,000 staff. We are scaling up our use of digital, data and technology to create a more efficient working environment for staff, and to empower prisoners to take personal responsibility during their time in custody. We have installed safe and secure in-cell technology across a further eight prisons. The new devices and services enable offenders to manage their own administration and access educational content, which improves wellbeing and reduces the administrative burden on prison officers.

We now have 11 purpose-built video conference centres in the adult male prison estate, with five more in development, including the first women's

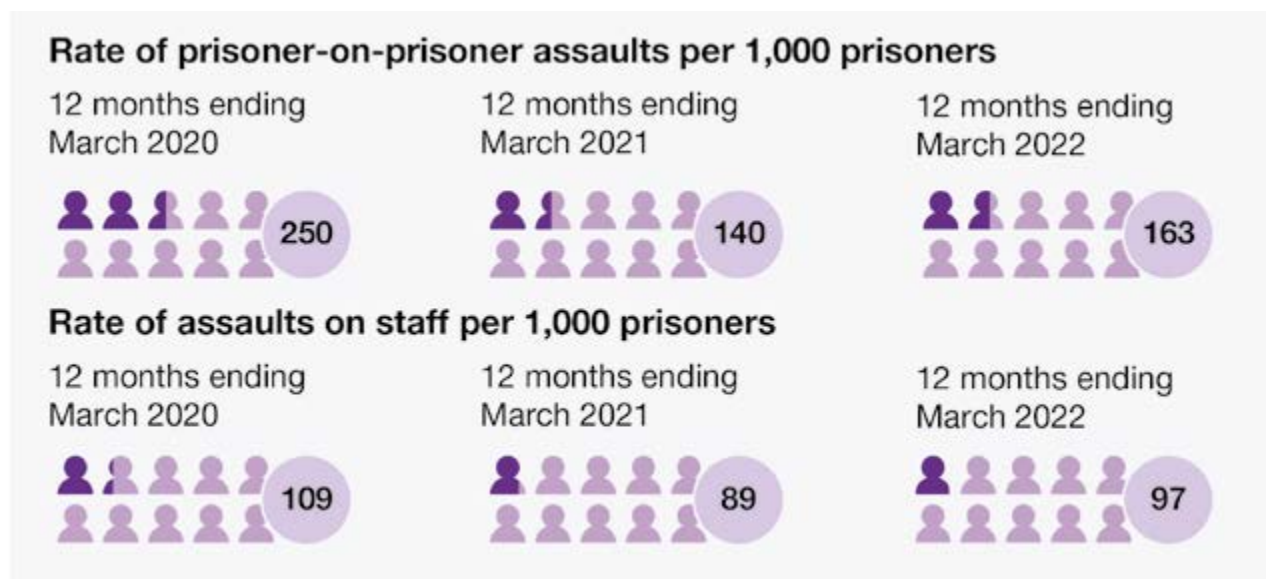
video conference centre. Our investment in video conferencing, aside from decency and efficiency benefits, enables court business to progress and offenders to move through the system more swiftly and without the need for physical production at court.

We have invested in the rollout of improved body worn video cameras to replace outdated equipment, with a substantial uplift in the number of cameras available. The aim is for every prison to have enough cameras for every operational band 3 to 5 officer on shift, at any time, with a surplus for other staff. This will increase the total number of cameras from 6,000 to over 13,000.

## Safety

Incidents of assaults are significantly below pre-pandemic levels, although there was an increase in incidents over the last year which coincided with the lifting of regime restrictions due to COVID-19.

## Assaults in adult prisons





## Assaults in the youth estate

**Rate of assaults – children and young people (CYP) on CYP per 100 CYP**

**2019/20: 265.3**

**2020/21: 147.4**

**2021/22: 197.7**

**Rate of assaults on staff per 100 CYP\***

**2019/20: 186.7**

**2020/21: 177.7**

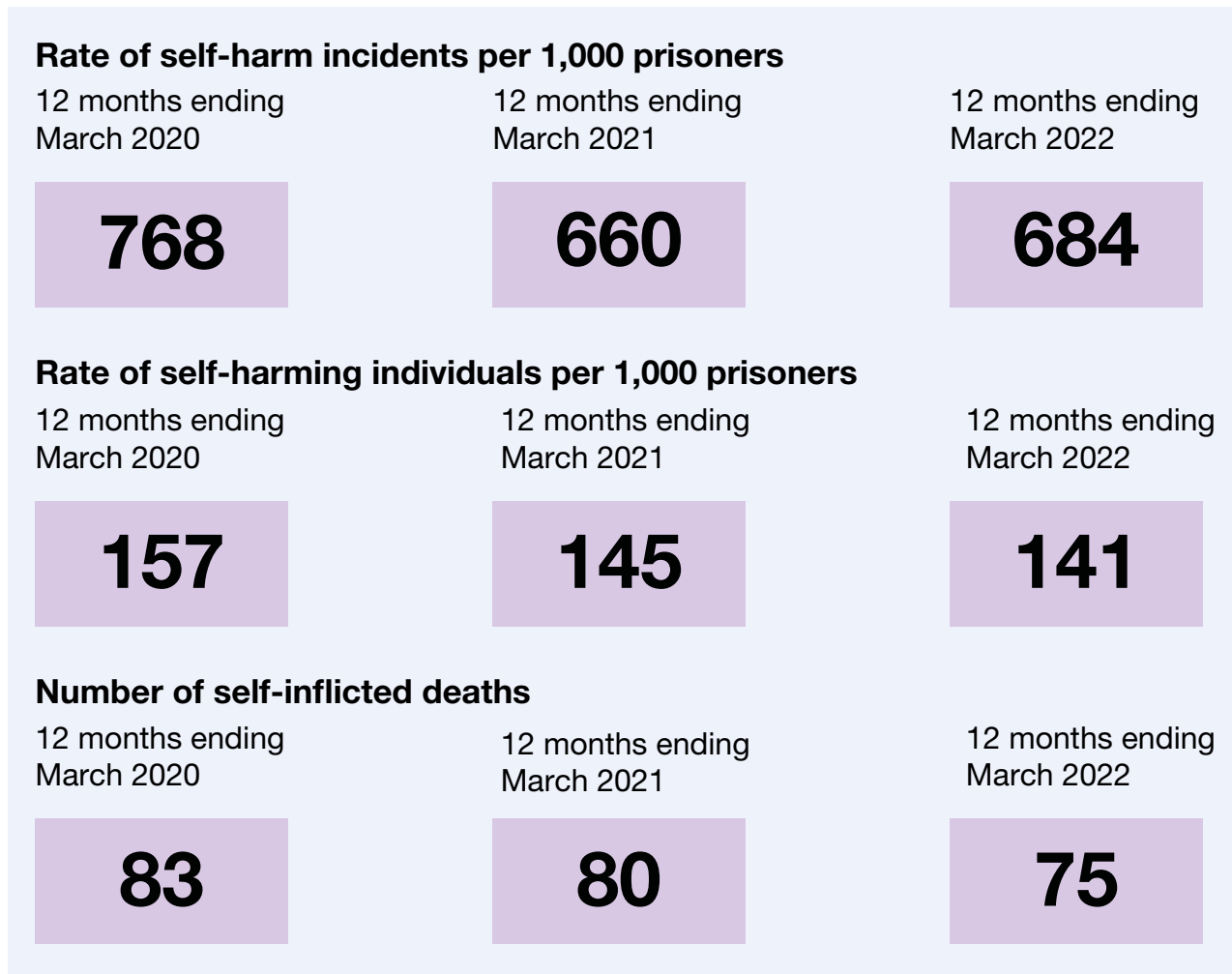
**2021/22: 212.5**

\* Counting rules for assaults changed in April 2019 causing a break in series

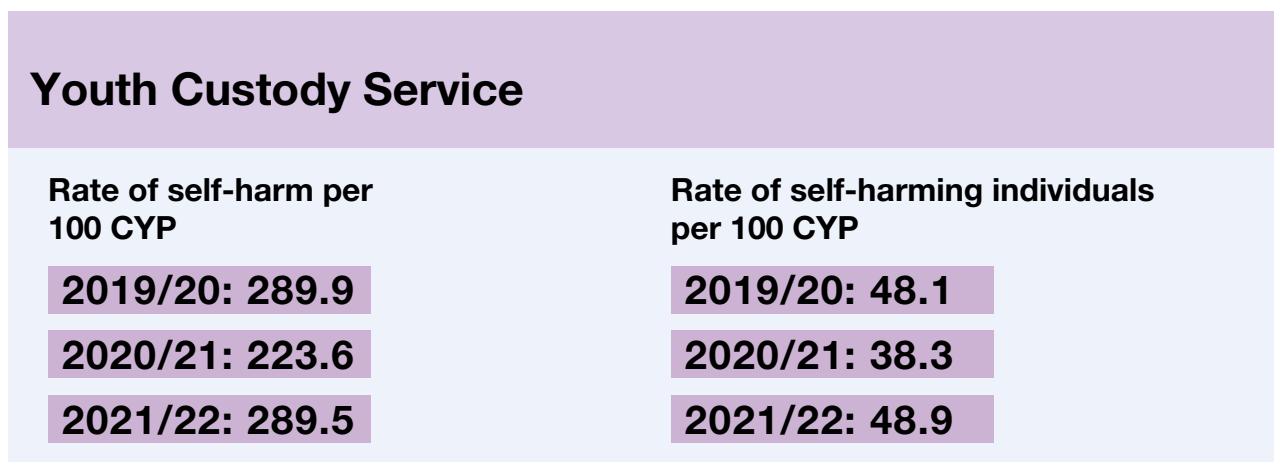
We have retained focus on addressing high levels of self-harm. The rate of self-harm incidents per 1,000 prisoners has increased by 4%. This comprised an increase of 3% in the male estate, and an increase of 7% in the female estate. In April 2021, we established a multidisciplinary women's self-harm taskforce to gather and evaluate evidence and implement measures to support

women at risk. The taskforce would identify the drivers of self-harm and increase support for women in prison who may be at risk of harming themselves. This included taking action to address the rise in self-harm and improve our ability to meet the needs of the women in our care within the restrictive regimes that were put in place as a consequence of COVID-19.

## Self-harm in adult prisons



## Self-harm in the youth estate



The youth secure estate is made up of three distinct sectors, Young Offender Institutions, secure training centres and secure children's homes. The below information reflects all three sectors.

Comparing the annualised rates 3 months to March 22 and the same period in 2021 the data shows there was a 9% reduction in assaults, a 9% reduction in staff assaults and a 53% increase in self-harm.

A revised case management approach across the prison estate, known as Assessment, Care in Custody and Teamwork (ACCT) has been implemented to support prisoners at risk of suicide and

self-harm. The revised ACCT focuses on taking a stronger person-centred approach, better multidisciplinary team working, a consistent quality assurance process, and an improved focus on identifying and addressing an individual's risks, triggers and protective factors.

We have increased the Samaritans annual grant to £625,000 per year until March 2025, to fund the rollout of a postvention service that provides guidance to staff and prisoners on managing the period following a death, as well as the excellent Listeners scheme, under which selected prisoners are trained to provide emotional support to other prisoners.

## Case study

To support prisoners during regime restrictions and more widely in relation to a range of cognitive skills, Psychology Service Group developed the 'Thinking Matters' prison radio series.

Psychology Services Group collaborated with National Prison Radio in 2021 to develop six shows called 'Thinking Matters' covering relationships, leisure time, dealing with conflict, sleep, anger and trauma.

The objectives were to:

- provide psychological tips/strategies to help people in prison manage their thinking and behaviour
- co-produce material with people with lived experience
- normalise the presence of psychological problems and assist with reducing the stigma around seeking help and support
- provide hope that individuals can make changes to their lives



Arthur Hagues/Prison Radio Association

The rollout of our Offender Management in Custody (OMiC) model and the introduction of key workers was largely paused due to COVID-19, although wellbeing checks targeted at the highly vulnerable and priority groups continued. OMiC reinstatement is a significant recovery priority for HMPPS. We have provided a key worker for all prisoners in the male adult estate, who have weekly one-to-one sessions to help build relationships, reduce levels of frustration and, ultimately, reduce levels of violence and self-harm. We have also improved the way that we identify and manage individuals who pose a raised risk of being violent through the national case management model, known as the challenge, support and intervention plan which identifies and addresses the underlying causes of violent behaviour.

Female prisoners are more likely to suffer from mental health issues and to have experienced abuse and trauma than their male counterparts. In recognition of this, a bespoke female specific OMiC model was introduced which provides greater contact between probation offender managers and women with complex needs in prisons. This year a joint review 'The National Women's Prisons Health and Social Care Review' has been undertaken by HMPPS and NHS England. This is an extensive piece of work encompassing a range of workstreams and inputs from operational staff, health colleagues, subject matter experts and those with lived experience. The final write-up has the potential to transform health and social care delivery across the women's estate including in some high-risk areas such as perinatal care, early days health screening, and the support of those who self-harm.

The Youth Custody Service (YCS), NHS England and NHS Improvement co-commissioned the Centre for Mental Health to undertake a review of the needs of girls in the children and young people secure estate. The report, published on the Centre for Mental Health's website in October 2021, has formed the basis of our work to support continuous improvement in this area.

The medium-long term placement options for girls are being considered as part of our future estate strategy.

As a key element of our response to the HM Inspectorate of Prisons thematic on young adults, we implemented the Young Adult Strategy, including the young adults 'My Learning' platform. Young adults, aged 18 to 25, can be challenging to manage and are over-represented in instances of violent behaviour within HMPPS. The strategy, related guidance and model of delivery will provide governors with effective evidence-based practice to assist them in providing the appropriate regime and support for young adults in their establishments.

Transition is recognised as a period of risk and anxiety for individuals moving into HMPPS adult prisons from the youth estate. The YCS produced the 'Transition of Young People from the Children and Young People Secure Estate to Adult Custody Policy Framework' which was developed in partnership with the HMPPS National Young Adults Team drawing on research, evidence and lived experience. It outlines support for individuals during what can be an extremely stressful period. The framework will launch in 2022/23.

In 2021/22 we increased our support for transgender prisoners by delivering training for over 50 staff and Prison Group Directors on the transgender operational framework.

## Security

In March 2022 we completed our £100 million Security Investment Programme, aimed at disrupting crime in prisons and the entry of illicit items such as drugs and mobile phones into prisons.

## Escapes and absconds

Number of escapes from prison establishments and HMPPS escorts

**2019/20: 2**

**2020/21: 0**

**2021/22: 1**

Number of absconds per 100,000 prisoner days (for open and semi-open prisons only)

**2019/20: 6.9**

**2020/21: 5.5**

**2021/22: 5.3**

## Case study

The Trace Detection project supports the aim of reducing the crime in prison that disrupts delivery of safe, decent and secure regimes and causes harm in the community. The project delivered a new national contract for the supply and maintenance of next generation trace detection equipment and its deployment into priority prisons in England and Wales. Also, a new national contract for the maintenance of existing trace detection equipment in the estate was agreed.

The new equipment and training was deployed to 45 prisons, with funding secured to purchase 50 units for other priority sites.

The new equipment increases the accuracy of testing across a broader range of substances and materials and is expected to have a positive impact in reducing conveyance of illicit substances through the reception, gates and in the post.

## Case study

We completed the rollout of enhanced gate security, which mimics tough airport security, and has been deployed to 42 high-risk sites – including metal detecting archway portals and handheld metal detectors, along with 154 drug sniffer dogs. By the end of 2021/22 we completed the installation of 75 X-ray body scanners, which are intended to help us clamp down on drugs, weapons and mobile phones, and prevent contraband from entering prisons. Since installation began in July 2020 until the last published figure, 19,879 positive scans have been recorded.



Our increased coverage of mobile phone blocking and detection has targeted those who present the highest risk of harm through continued criminal activity. We developed a new prisoner communication monitoring service with capability to monitor and translate prisoner calls, to prevent extremist activity and serious and organised crime.

Our Counter Terrorism Step Up Programme completed at the end of March 2022. The programme successfully enhanced our capacity and capability to monitor terrorist offenders and the risk posed by them and by those at risk of radicalisation. Our new national security division provides a specialist and dedicated workforce within probation to deliver an enhanced set of national standards for the supervision of terrorist offenders. We have also strengthened partnership working and improved our intelligence capabilities through the creation of a new multi-agency joint counter terrorism prisons and probation hub.

### **Electronic monitoring**

Our electronic monitoring expansion programme completed the rollout of alcohol abstinence monitoring requirements in England in March 2021 and rolled out use of GPS tags with the Home Office to manage immigration enforcement in August 2021. We have expanded the acquisitive crime pathfinder to 19 police forces from September 2021 and launched alcohol monitoring on licence in Wales in November 2021, expanding to England in June 2022. As at 31 March 2022, the number of individuals monitored with electronic tags was 15,282, an increase from the numbers actively monitored in early 2020 (around 10,200 individuals). We remain on track to achieve the target of having 25,000 people on a tag by March 2025.

### **Foreign national offenders**

Working with the Home Office, we delivered 1,431 removals of foreign national offenders (FNOs) from prisons.

To prepare FNOs for life after custody either abroad or in the UK, we launched a new FNO Information Hub. The hub is now fully operationally and providing information, advice, and guidance and supporting operational staff across prisons and probation to support FNOs effectively and prepare them for a positive future.

We have also put in place access to legal aid and ensured increases in pay for detainees in prison – eliminating inequalities in the treatment of detainees compared with those in immigration removal centres.

### **Partnerships**

We have continued to extend and strengthen a range of partnerships with charities and community organisations including expansion of the award-winning Twinning Project. This is a partnership with the objective of twinning prisons in England and Wales with a local professional football club. There are currently 83 prisons twinned with local football clubs. We have also developed a new partnership with British Rowing, participating in indoor rowing competitions and have expanded Parkruns in prisons on Saturday mornings as in the community, with over 25 establishments currently participating. Work with Barnardos continues to support the National Information Centre for Children of Offenders.

The Duke of Edinburgh's award scheme saw 10 more prisons committed to delivery last year with plans for further expanding. Trauma informed yoga delivery via the Prison Yoga Project trained 25 prison staff across the women and girls estate last year. Our new policy framework on pregnancy, mother and baby units, and maternal separation from children up to the age of two is the first such policy for HMPPS and was drafted in consultation with NHS England and subject matter experts providing a strong framework to ensure that the appropriate support and care is provided to perinatal women and babies in our care.

### **Prisoner Escort and Custody Services (PECS)**

Throughout COVID-19, PECS continued operating and expanding their services to support the administration of justice.

PECS were designed alongside court and prison reform with a full expectation that volumes would be lower at the start of the contract and would continue to decrease throughout the contract life. However, by the time the services went live in 2020, COVID-19 was at its height with services taking a different trajectory and so, since the commencement of the contract, there have been a number of contract changes, both to support COVID-19 response and, due to an increase in business, the criminal justice system recovery.



## Priority outcome 2: Reduce reoffending

Our strategy to reduce reoffending is central to the government's commitment to cut crime. We are focusing on the interventions that are known to work: a home, a job and access to treatment for substance misuse.

### Probation Reform

The Probation Reform Programme successfully delivered the unification of the Probation Service following the end of Community Rehabilitation Company (CRC) contracts in June 2021. This included:

- awarding 110 contracts to community rehabilitative service providers
- transferring more than 7,000 staff into HMPPS
- deploying up to 16,000 laptops and mobile devices
- transferring 191 properties into MoJ estates completing 17 capital refurbishment projects

Unification of the Probation Service was a direct response to the performance failures of CRCs and the need to improve operational resilience in the context of COVID-19. By investing in the unified Probation Service, we will increase staffing levels and improve operational delivery. Operational performance will improve as we increase staffing and realise the benefits of our investments in the probation estate and our digital tools.

The new Probation Service has brought responsibility for all offender management into the public sector, giving us greater flexibility to respond to future changes in demand through direct delivery of core probation services. All staff are now using the same systems for the management of people on probation, contributing to national operational consistency.



The new national standards and performance framework for the unified service have a greater focus on quality and outcomes, not just processes and timeliness. In July 2021, shadow

performance measures were reintroduced to support readiness for external and internal audit to demonstrate compliance with service level measures and national standards.

## Probation Performance in 2021/22



We are strengthening probation officer numbers so that we can reduce caseloads and focus on strengthening the probation officer's relationships with those they supervise, thereby providing more consistent management and delivery of sentence plans, as well as better assessment and management of risk.

A new digital community payback assessment tool has been successfully rolled out to all probation regions. 4,000 assessments are completed each month and the new tool will improve the quality and consistency of recorded information to ensure people on probation are allocated to projects that are best suited to their risks and needs.

## Case study

We successfully launched Grand Avenues, a 10-year proof-of-concept which focuses on reducing reoffending and harm in the Ely and Caerau areas of Cardiff.

Grand Avenues has been co-produced with the local community to build on its strengths and assets and to support people on probation to become active citizens in their community.

A dedicated team of practitioners supervise people on probation in local community hubs, alongside third-sector partners and peer-mentors. By being embedded in the local community, practitioners are able to access more effective support, more immediately, for people on probation.

“Being able to tap into the resources that exist within the community – their community – is empowering for the men in our cohort. It also really helps us with attendance, compliance, and engagement when we can respond quickly to their needs. It gives me a real buzz to know that I am making a difference.” – Laura, Grand Avenues Probation Practitioner

Family members and significant others can also access one-to-one advice and support; education, training, and employment; volunteering opportunities; and befriending.

Grand Avenues is funded by the Shared Outcomes Fund, with evaluation being carried out by research teams at the University of South Wales and Cardiff Metropolitan University.



## Case study

There are 16 prisons across England and Wales implementing the ‘reducing reoffending accelerator programme’. The accelerator programme supports the work of the government’s Crime and Justice Taskforce by designing, testing and implementing new ways of improving the support offered to prison leavers. It prioritises delivery across three areas:

- employment and accommodation
- education
- health and substance misuse

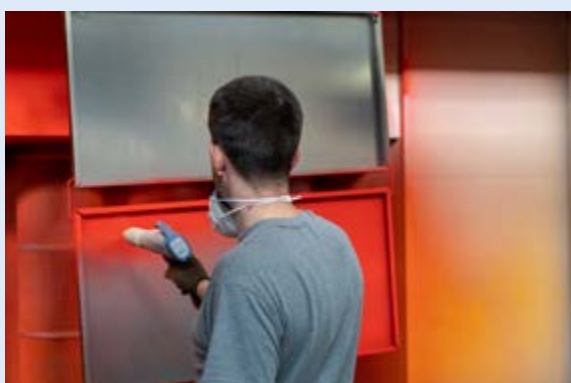
Initiatives across these themes led to:

- commitment from 89 local authorities to work with prisoners prior to release and support them into suitable, sustainable accommodation
- approximately 640 instances of staff attending courses and workshops led by a neurodiversity support manager
- 47 programmes to support prisoners recover from substance misuse issues

The accelerator prisons programme continues to develop and test new reducing reoffending initiatives, including but not limited to:

- the resettlement passport
- a new head of education
- skills and work roles in prisons
- working with the Department for Work and Pensions to test different approaches to prisoners preparing to make their Universal Credit claim
- claimant commitment before release in 15 prisons

These initiatives will increase our ability to ensure prisoners progress onto Universal Credit as quickly as possible and use this foundation to seek and secure work.



## Education

The consistent provision of education has been difficult over the last financial year due to the continued adaptations required by the pandemic, but prisons and providers have shown great flexibility in using remote and hybrid delivery and prisons are now building back to pre-pandemic levels of learning.

Looking forward, HMPPS is prioritising education (working towards new key performance indicators) and has started to deliver the first phase of a new Prisoner Education Service. The vision for this is set out in the Prison Strategy White Paper with a commitment to raise prisoners' levels of numeracy, literacy, skills and qualifications with the aim of helping them secure jobs or apprenticeships on their release.

During 1 April 2021 to 31 March 2022 8,872 initial versions of the Digital Prisoner Learning Plans (PLPs) were created across the estate. These PLPs will create the foundation for development in future years and we have seen further expansion of the use of Digital PLPs during quarter one of 2022. The Digital PLPs, where used effectively by prisons, have allowed a more collaborative approach between Information, Advice and Guidance providers (IAG) and the prison in terms of securing employment on release and this has been highlighted by OFSTED, for example, on inspection at HMP Doncaster. The development of the next generation of PLPs has been informed by this work and been tested in a small number of prisons.

Participation by learners in courses has seen a significant increase from the previous year as regimes began

the process of recovery and different education delivery models were tested. There was a 209% increase in the number of accredited programmes started and a 122% increase in the number of accredited courses completed. Of courses learners participated in, 69% were at Level 1 or higher.

16,866 prisoners participated in at least one of the functional skills qualifications (English or maths) with 10,755 achieving either a full qualification or units. This shows a significant increase on 7,225 from the previous year where 7,225 prisoner participated in functional skills.

36% of the nearly 50,000 learners participating in a course were assessed as having Learning Difficulties or Disability (LDD). The number of LDD assessments rose from 21,925 in 2020/21 to 56,281 in 2021/22. The increase in both Rapid and In-Depth assessments led to a significant increase in the number of prisoners receiving support from 9406 to 36,142 learners in 2021/22. 81% of Ofsted performance monitoring visits during this period that have been published show either Reasonable or Significant progress has been made towards achieving recommendations made.

With additional investment from the £550 million secured for reducing reoffending at the 2021 Spending Review, work on this has started through:

- the trialling of new Heads of Education Skills and Work Roles in 17 prisons this year
- national rollout of neurodiversity support managers
- the development of digital infrastructure to enable personal learning plans

- the increased deployment of laptops to support learning
- the planning for a new employability innovation fund to enable governors to work with more employers and training providers to deliver sector specific skills training

The YCS is committed to improving education outcomes for children in custody. Through 2021/22, work took place to commission a new education service for the publicly run under-18 young offender institutes in England. The service is designed to improve the learning outcomes for children and young people by supporting the integration of custody, education, and health services, and developing a better understanding of education outcomes for children and young people in custody.

Flexibility will be a key part of the new service with a broader definition of education allowing sites and education providers greater ability to meet the bespoke needs of children within their establishments.

### Employment

In 2021/22 employment rates for prison leavers six months post-release exceeded pre-pandemic performance levels, rising by almost two-thirds within 2021/22 to 23%.

In the Prisons Strategy White Paper, the government set out a range of commitments to build links with employers to maximise job opportunities and deliver a presumption in favour of giving offenders the chance to work and equip prisons to support more prison leavers into employment.

HMPPS' New Futures Network are responsible for partnering businesses with prisons and probation to offer work opportunities for serving prisoners and job outcomes for prison leavers. A series of events delivered by New Futures Network and the MoJ Employment Campaign team led to increased engagement from businesses about this avenue for recruitment. This includes the October 2021 Employment Summit where over 600 attendees joined sessions chaired by the Deputy Prime Minister Dominic Raab, business leaders, and the New Futures Network team.

The team are leading a range of initiatives in 92 prisons that will improve the infrastructure in these prisons and further support success in employment. This includes:

- the recruitment of more prison employment leads (PELs)
- the rollout of further employment hubs
- the recruitment of new ID and banking administrators
- the rollout of further employment advisory boards

PELs will be responsible for creating an employment strategy in each prison and creating a formal process for identifying, supporting and matching candidates to job vacancies. PELs will be responsible for launching and managing employment hubs. First trialled in 2019, these are the equivalent of a 'job centre in a prison' – a physical space where prisoners can access job vacancies provided by the New Futures Network and other partners.

New Futures Network worked with the Timpson Foundation and the accelerator prisons team to trial employment advisory boards. The boards comprise of business leaders who will provide challenge and advice to prisons to inform their employment strategies. The initiative has proved a success, resulting in press coverage and a ministerial keynote speech at the first of two planned board conferences. Further chairpersons and members are due to be appointed to cover 92 prisons.

### **Accommodation**

The government's Prison Strategy White Paper outlined its vision that no one who is subject to probation supervision is released from prison homeless.

MoJ and HMPPS have developed a Community Accommodation Service (CAS) so that prison leavers can access appropriate accommodation. The service brings the existing approved premises, Bail Accommodation and Support Service (BASS), and the new provision of transitional accommodation together under the auspices of one accommodation system.

For our highest risk offenders, approved premises (also known as CAS Tier 1 provision) provides monitoring and supervision, with the person residing in the approved premises on a temporary basis directly on release from prison. We have delivered 109 additional approved premises beds this year and work is underway to expand the approved

premises estate by at least 200 places by March 2024. There have been a number of notable achievements in approved premises including investment in staff training and development, significant security enhancements and refurbishment and renovation of properties alongside the continued management of COVID-19.

The contract for the CAS-2 replacing the BASS, was awarded in February 2021 to come into effect in October 2022. Throughout 2021/22, BASS has continued to provide accommodation to enable bail to be granted, and home detention curfew releases to be agreed, as well as providing accommodation for some prison leavers at risk of recall to prison. The new contract will include an increased number of places, accessible accommodation in each probation region, an improved level of support for the people living in properties as well as enhanced security for women's accommodation.

In July 2021, HMPPS launched CAS-3, a new transitional accommodation service, providing up to 12 weeks temporary accommodation for those leaving prison at risk of homelessness in five probation regions and the rollout of CAS-3 across the remaining probation regions in England and Wales has commenced.

We have recruited 20 strategic housing specialists and are recruiting a further 28 to improve prison leavers' likelihood of securing settled accommodation.



## Drug treatment

Local authorities are responsible for providing drug and alcohol treatment in the community, while services in prison are commissioned by NHS England. MoJ and HMPPS have an important role in facilitating and supporting offenders to engage with treatment.

We are investing £120 million over the Spending Review to get more offenders engaged with treatment, including:

- recruiting health and justice partnership co-ordinators nationwide to improve links between probation, prisons and healthcare
- expanding the use of video call technology so prisoners can meet community treatment providers before release
- improving data and information sharing between health and probation

We have rolled out 24 incentivised substance free living units in prisons, where prisoners commit to live drug-free with regular tests and support to help them maintain this. We are also committed to delivering up to 18 drug recovery wings whereby prisoners will be supported to be abstinent from all drugs, including opiate substitution treatments.

We introduced the use of naloxone, used to revive people who have overdosed on opiates, at all approved premises, and administered by trained staff on site.

# Our people

A diverse range of staff and external partners working in and with HMPPS were honoured with national awards in 2021/22. They include:

## Queen's Birthday Honours 2021

### Commanders of the Order of the British Empire (CBE)

Susan Taylor, Deputy Director Residential and Accommodation Support Services Division HMPPS. For services to HMPPS.

### Officers of the Order of the British Empire (OBE)

Marian Mahoney, Head of Reconfiguration HMPPS. For services to HMPPS and the criminal justice system.

Mark Robinson, Founder of Radio Feltham and trustee of the Prison Radio Association. For services to HMPPS and offenders.

Janet Thomas, lately Head of Public Protection, Directorate of Reducing Reoffending, National Probation Service North West. For services to probation and the local community.

Paul Yates, Governor HMP Lincoln. For services to HMPPS, reducing reoffending and public protection.

### Members of the Order of the British Empire (MBE)

Michael Best, lately POELT Mentor, HMP Wayland. For services to HMPPS.

Kiran Jassal, Senior Operational Manager HMP Winchester. For services to HMPPS during COVID-19 and to diversity and inclusion.

Deirdre Leach, Making Connections co-founder, HMP Send. For services to prisoners.

Reverend Lesley Mason, Managing Chaplain and Making Connections co-founder, HMP Send. For services to prisoners.

Ian Noons, Custodial Manager HMYOI Drake Hall. For services to HMPPS.



## New Year Honours 2022

### Officers of the Order of the British Empire (OBE)

Alastair Reid. Probation National Security Lead. For services to public protection and national security in England and Wales

Kathryn Munson. Head of Probation Services, Hull & East Riding. For services to the criminal justice system.

Sonia Walsh. Governor, HMP Wayland. For services to HMPPS.

Janet Wallsgrove. Director of HMP & YOI Parc, G4S Care & Justice Services Limited. For services to HMPPS.

### Members of the Order of the British Empire (MBE)

Danny Newland. Custodial Manager, HMP Littlehey. For services to prisoners and the public.

Joe Rook. Head of Business Assurance, HMP Elmley. For services to reducing reoffending.

Jason Swettenham. National Head of Prison Industries, Catering, Retail services and Physical Education. For services to HMPPS and the Twinning Project.

Sofia Buncy. National Co-ordinator Khidmat Centre, Bradford and Prisoner Rehabilitation and Community Development Founder, Muslim Women in Prison Project.

Yvonne Copley. Chief Executive Kyra's Women's Project, York. For services to women and the community in York.

Lynne Wade. Prison Educator HMPs Lindholme, Moorland and HMYOI Hatfield. For services to prisoner education.

Caroline Wilkinson. Volunteer and Trustee Fine Cell Work. For services to the rehabilitation of offenders and to the community.

### Medallists of the Order of the British Empire (BEM)

Patricia Bridge. Quaker Chaplain, HM Prison Wandsworth. For services to prisoners.

Lilian Malama. Offender Manager Probation Service Learner, National Probation Service Nottingham. For services to volunteering and the rehabilitation of offenders.

## Butler Trust award winners 2021/22

The 2021/22 winners of the prestigious Butler Trust awards included 10 individuals working in prisons and probation in England and Wales.

A further 20 individuals received commendations, and all were invited to attend a ceremony presented by The Butler Trust's patron, HRH The Princess Royal.

A list of winners and commendees is available at <http://www.butlertrust.org.uk/our-winners/>

## HMPPS staff award winners 2021/22

The Prison Officer of the Year 2022: David Hammond (HMP Holme House)

Change and Innovation award: Samantha Harris (HMP Thorn Cross)

Fairness, Decency and Respect award: Shiv Manson (HMP Holme House)

Safety, Security and Care award: Zoltan Branch (HMP Bullingdon)

Changing Lives award: David Hammond (HMP Holme House)

Staff Support award: Muhammed Surve (HMP Leicester)

Partnership Working award: Mia Florio (HMP Guys Marsh)

Public Safety award: Clare McQuilling (HMP Holme House)

Team of the Year: Offender Management Unit (HMP Warren Hill)

Lifetime Achievement award: Bruce Smith (HMP Hollesley Bay)

The Probation Champion of the Year 2022: Debbie Cox (East of England)

Change and Innovation award: Debbie Cox (East of England)

Fairness, Decency and Respect award: Shoshi Khan (Wales)

Public Safety award: Emma Winston (Wales)

Changing Lives award: Laura Gomez-Fernandez (Kent, Surrey and Sussex)

Staff Support award: Linda Davies-Llewellyn (West Midlands)

Partnership Working award: Michelle Fraser (East of England)

Supporting Victims award: Paula Turnock (East Midlands)

Team of the Year: Gwent Community Payback (Wales)

Lifetime Achievement award: Humayun Shouib (Greater Manchester)

# Sustainability report

## Climate change and sustainability report

### Introduction

As part of the second largest government estate, HMPPS has a responsibility to reduce negative environmental impacts and to enhance the natural environment. HMPPS shares MoJ's vision to embed sustainability principles into everything that it does.

Sustainability is one of four 'enablers' in the MoJ Outcome Delivery Plan, supporting MoJ's Strategic Outcomes. Particular areas of climate change and sustainability focus for HMPPS in 2021/22 included net zero carbon, Greening Government Commitments (GGCs), biodiversity and embedding.

As the largest of the department's agencies, HMPPS understandably accounts for the majority of MoJ's total greenhouse gas emissions, water use and waste arisings, and recognises the importance of reducing its impacts on the environment.

### Scope

This report is prepared in accordance with HM Treasury's Sustainability Reporting Guidance 2021-22.<sup>3</sup>

This report covers Probation Service contact centres and approved premises, all public sector prisons in England

and Wales, a number of privately operated prisons, as well as associated administrative buildings.

The data below shows our present position for 2021/22 against a 2017/18 baseline, using data available up to March 2022 (some data will be estimated where not available and will be restated next year). Similarly, non-financial indicators for 2020/21 have been restated where necessary to show full actual data to 31 March 2021.

### Governance

Governance and assurance of climate change and sustainability activity across HMPPS is co-ordinated by MoJ's climate change and sustainability unit and performance is overseen by MoJ's senior sustainability board, which include prison and probation senior representatives. This year, MoJ has appointed a lead minister for climate change and sustainability matters, as well as an executive committee champion and a lead non-executive director.

HMPPS sustainability performance data is gathered and validated by Rio, MoJ's external consultants contracted to manage data, and is audited by Det Norske Veritas on behalf of DEFRA.

We follow the MoJ's [Sustainable Operations Strategy](#) which sets out how the department embeds environmental

<sup>3</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1030665/Sustainability\\_Reporting\\_Guidance\\_2021-22.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1030665/Sustainability_Reporting_Guidance_2021-22.pdf)

sustainability throughout its estate, operations and procurement activity. Our sustainability strategies and policies are published online at GOV.UK. In the last year we have published an updated Sustainable construction: Building Research Establishment Environmental Assessment Method (BREEAM) policy.

### Greening Government Commitments (GGC) performance

New GGC targets for the period 2021-25 were announced during this financial year, with progress measured against a

2017/18 baseline. Our progress is tracked on a quarterly basis against annualised targets. During 2021/22 we worked with the Renewable Energy, Climate Change Mitigation and Adaptation and Water Projects Sector (CCSU) to develop our GGC delivery plan, focusing on monitoring, and improving performance against our key 2025 GGC targets. This will continue to be developed and updated as we initiate and deliver initiatives that contribute towards achieving these targets.

## Overall GGC performance 2021/22 against a 2017/18 baseline

Requirement by 2025	2021/22 performance	RAG status	Explanation where not on track
Reduce greenhouse gas emissions by 41%	-27%	Red	Decarbonisation of the electricity grid is helping towards this target, but expansion of the estate will make achieving this target challenging.
Reduce direct greenhouse gas emissions by 23%	-4%	Red	Technology and financial constraints have slowed progress. Pilot projects are being planned to partially mitigate these constraints.
Reduce emissions from domestic business flights by 30%	-19%	Green	
Reduce overall waste by 15%	+23%	Red	Resource constraints due to competing priorities, e.g. COVID-19 management has limited progress. New approaches are being developed to improve resourcing and waste management.
Landfill waste to be less than 5%	9%	Red	Closure of prison waste management units during the pandemic has increased landfill rates.
Increase recycling to at least 70%	47%	Red	Closure of prison waste management units during the pandemic has impacted recycling rates.
Reduce paper use by 50%	+5%	Red	Progress has been slow as many processes are still paper based, but digital services (which reduce paper) are being used where feasible.
Reduce water consumption by at least 8%	-2%	Red	Reducing water use is particularly difficult in prisons which run 24/7 and many prisons have ageing infrastructure. Some significant water leaks occurred in the final quarter of the year, increasing consumption. Smart meters are being fitted to help find and fix water leaks.

Table 1: HMPPS performance

## Greenhouse gases

Greenhouse gas emissions		2017/18	2018/19	2019/20	2020/21 <sup>4</sup>	2021/22
Non-financial indicators (tonnes CO <sub>2</sub> e)	Total gross scope 1 (direct) emissions	156,474	154,341	153,267	142,989	141,819
	Total gross scope 2 (indirect) emissions	114,035	92,644	88,320	70,806	63,113
	Total gross scope 3 (official business travel) emissions	17,952	16,173	7,328	5,879	6,599
	<b>Total emissions – scope 1, 2 and 3<sup>5</sup></b>	<b>288,461</b>	<b>263,158</b>	<b>248,915</b>	<b>219,674</b>	<b>211,531</b>
Related energy consumption (kWh)	Electricity	324,369,905	327,284,350	318,501,334	304,834,471	297,395,767
	Gas	725,386,293	715,895,508	687,697,747	665,453,499	699,935,651
	Other energy sources	36,881,824	44,196,140	47,120,471	42,882,986	47,498,349
	<b>Total energy consumption</b>	<b>1,086,638,022</b>	<b>1,087,375,998</b>	<b>1,053,319,552</b>	<b>1,013,170,956</b>	<b>1,044,829,767</b>
Financial indicators (£ million)	Expenditure on energy	69	67	74	71	76
	Expenditure on official business travel	20	22	21	5	9
	<b>Total expenditure on energy and business travel</b>	<b>89</b>	<b>89</b>	<b>95</b>	<b>76</b>	<b>85</b>

**Table 2: Overall greenhouse gas emissions and financial costs**

<sup>4</sup> 2020/21 non-financial indicators have been restated to include actual environmental performance for the financial year

<sup>5</sup> Definitions for scope 1–3 emissions can be found at: [www.assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/850130/Env-reporting-guidance\\_inc\\_SECR\\_31March.pdf](http://www.assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/850130/Env-reporting-guidance_inc_SECR_31March.pdf)

Energy consumption by HMPPS accounts for 81% of MoJ's total energy use (based on 2021/22 figures). HMPPS carbon emissions show an overall 27% decrease since 2017/18. We have continued to reduce our overall carbon emissions through a range of energy and carbon saving measures this financial year including:

- procurement of 203 boiler control units that will be deployed across HMPPS estate in 2022/23
- commenced the full replacement of the building management system at HMP Elmley
- completed three ground mounted solar farms, generating approximately 450MWh of electricity and saving a forecast 1,220 tonnes of carbon emissions over their lifespan
- installed electric vehicle charging points
- replaced over 10,000 fluorescent lamps with LEDs, saving an estimated 1.33GWh of electricity and 290 tonnes of CO2 emissions

- putting 'net zero' at the heart of new prison design, recognising that what we build now will still be in use by 2050

Our Net Zero Strategy is being updated, as well as the associated delivery plan, setting short, medium, and long-term objectives for the HMPPS estate and operations. A review has been undertaken across the estate to identify opportunities for further carbon savings, prioritising decarbonisation of heating and travel.

HMPPS continues to explore ways to transition its vehicle fleet to ultra low emission vehicles and zero emissions in line with the GGC, where viable options are available and where the business or operational use is deemed appropriate. MoJ has a strategy in place to achieve the central government target of 100% of all in scope N1 vehicles under 3.5 tonnes to be zero emission by December 2027.

## Case study

### LED lights

HMP Garth initiated a project involving prisoners assembling low energy LED lights, thereby developing valuable skills as part of their rehabilitation, reducing prison energy use, and saving taxpayers' money. The pioneering project has since been introduced at HMP Full Sutton and HMP Guys Marsh.

The new LED lights cost 36% less than the book price of the original fittings, use 62% less electricity and are expected to save approximately £2.5 million each year once installed in cells across the prison estate. The project contributes to the sustainable objectives of MoJ's Outcome Delivery Plan and the wider Government Greening Commitments.



## Climate change adaptation

As part of the implementation of the MoJ's Climate Change Adaption Strategy 2020, a climate change risk assessment of our estate and operations was conducted this year. The output of the assessment will be used to update the Climate Change Adaptation Plan in 2022. The risk assessment will start to identify which buildings and operations are most at risk and their capacity to adapt to the effects of climate change.

## Travel

Travel has continued to be low throughout 2021/22 due to the pandemic restrictions, and emissions from domestic flights have reduced by 19%, compared to our 2017/18 baseline. We will look at how we can take forward new ways of working developed during the pandemic to maintain lower levels of air travel.

Air travel		2017/18	2018/19	2019/20	2020/21	2021/22
Domestic flights	Distance travelled (km)	97,580	180,121	176,856	9,564	52,683
	Emissions (tCO <sub>2</sub> e)	16.7	34.3	28.8	1.5	13.2
International flights	Distance travelled (km)	844,953	2,151,980	3,623,600	3,287,969	2,189,948
	Emissions (tCO <sub>2</sub> e)	105.6	256.8	410.4	363.6	338.3

**Table 3: Air travel**

## Water

Water consumption by HMPPS accounts for 93% of MoJ's total water use (based on 2021/22 figures). We have reduced water usage across the estate by 2%.

Improvements in monitoring and measurement of water consumption have been, and will continue to be, made by installing automatic meter reading devices on water meters across the estate. Using data from these meters, we have been able to identify water leaks (existing and new occurrences) at several sites, and several repairs have been completed.

Water consumption		2017/18	2018/19	2019/20	2020/21 <sup>6</sup>	2021/22
Non-financial indicators (m <sup>3</sup> )	Whole estate	8,273,287	8,393,180	8,427,775	8,761,906	8,140,915
Financial indicators (£ million)	Water supply and sewage costs	23	24	25	20	22

**Table 4: Water consumption and financial costs**

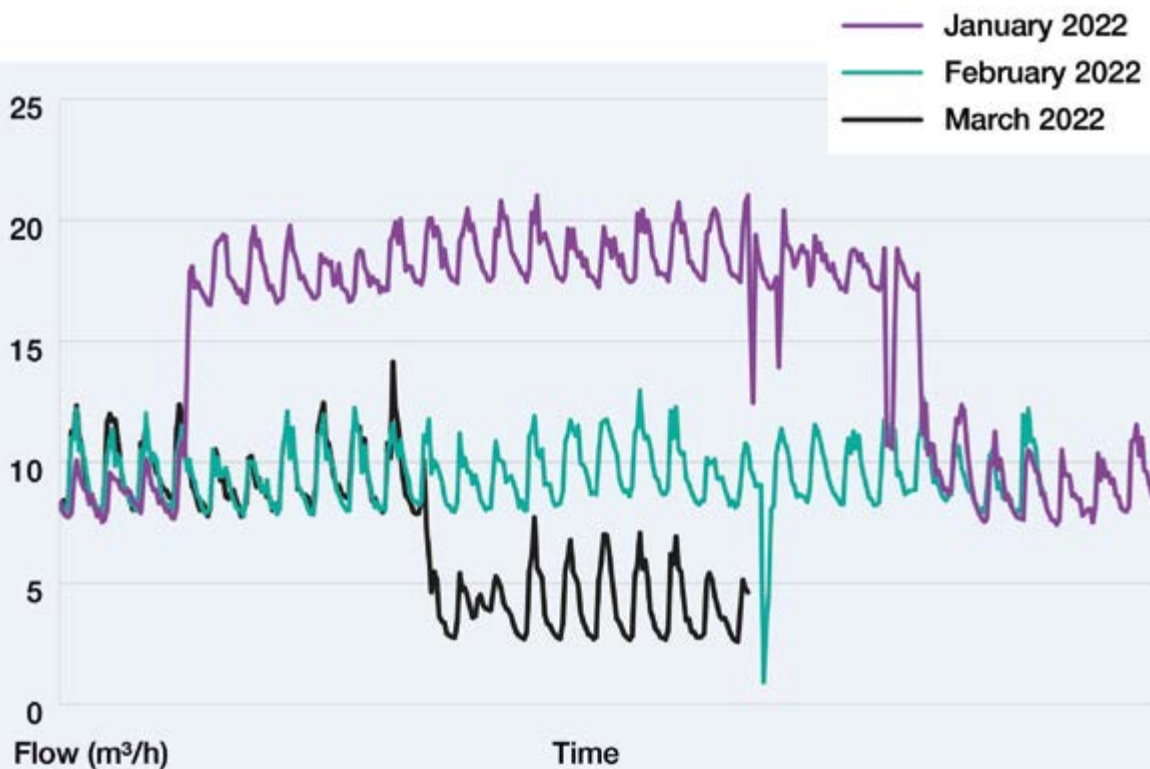
<sup>6</sup> 2021/22 non-financial indicators have been restated to include actual environmental performance for the financial year

## Case study

### Water leak repair: HMP Wetherby

Using data from smart water meters, an unusually high night-time flow rate was identified at HMP Wetherby. Two leaks were subsequently found and repaired. This reduced the night water flow rate from 17m<sup>3</sup>/hour to 3m<sup>3</sup>/hour. This represents an annual water saving of around 113,000 m<sup>3</sup> and an annual financial saving of £340,000.

**Wetherby water graph**





## Waste and resources

Waste		2017/18	2018/19	2019/20	2020/21 <sup>7</sup>	2021/22	
Non-financial indicators (tonnes)	Non-hazardous waste	Landfill	2,906	764	860	3,924	3,739
		Reused/recycled	20,765	32,232	32,808	26,562	19,652
		Composted/anaerobic digestion	1,649	2,166	3,282	5,675	2,463
	Incinerated with energy from waste		8,289	4,106	6,299	6,258	17,156
	Incinerated without energy recovery		15	0	11	22	945
	<b>Total waste</b>		<b>33,624</b>	<b>39,322</b>	<b>43,260</b>	<b>42,440</b>	<b>43,955</b>

**Table 5: Waste production**

HMPPS has increased its waste by 23% since 2017/18, of which 9% went to landfill.

Waste performance been negatively impacted by the pandemic due to partial or total closure of prison waste management units and an increase in PPE and single-use items associated with controlling the pandemic. We are working with our facilities management and waste contractors to improve waste management including undertaking trial schemes during 2022/23 and adopting a new circular approach to resource management.

<sup>7</sup> 2021/22 non-financial indicators have been restated to include actual environmental performance for the financial year

## Case study

### Recycling: HMP Thorn Cross

The purchase of a mill size baler and a waste compactor at HMP Thorn Cross enabled increased recycling and a corresponding reduction in landfill waste, bringing operational costs down and reducing our carbon footprint.

The waste management unit now recycles nearly 80% of recoverable waste including cardboard, plastic, and broken furniture, and the majority of food waste is also separated.

While some recycled materials are valuable and can be sold to recycling plants, other items like non-prison clothing are donated to a local charity, and prison-issued plastic cups, plates and cutlery are granulated and made into new items.



## Paper usage

HMPPS has increased paper use by 5% compared to the 2017/18 baseline. Better data is helping us identify where most of our paper is being used, and driving efficiencies.

## Single-use plastics

The MoJ's single-use plastics policy, published in January 2019, continues to drive our work with facilities management providers to ensure single-use plastics are only used when no viable alternative is available. We are also, where possible, reducing single-use plastics on the operational estate (in prisons and approved premises).<sup>8</sup>

## Biodiversity and rural proofing

A biodiversity baseline has been established as well as a Nature Recovery Plan for the HMPPS estate. This plan seeks to substantially improve the value of the estate in terms of biodiversity, wellbeing, and other ecosystem services such as carbon sequestration and flood alleviation. Over 1,400 fruit trees have been planted to create new orchards, as well as almost 9,000 deciduous trees as part of woodland planting, and 3.5km of new hedgerows. Seven tree nurseries have been established in 2021/22, which will germinate 100,000 trees per year for planting across MoJ from 2023. The MoJ has also developed a natural capital assessment tool for the estate.

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<sup>8</sup> MoJ's single-use plastic policy can be found at: [www.gov.uk/government/publications/ministry-of-justice-single-use-plastics-policy](https://www.gov.uk/government/publications/ministry-of-justice-single-use-plastics-policy)

## Case study

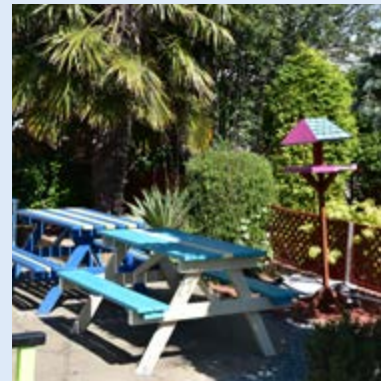
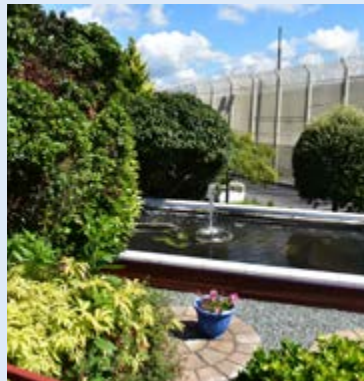
# Dinefwr Park National Nature Reserve

Dinefwr Park National Nature Reserve, which is owned by the National Trust in Llandeilo, is a project that the Community Payback Team in Dyfed/Powys regularly attend in the Carmarthenshire area. The project has accommodated supervised groups and individual placements for over 20 years, completing a variety of different environmental tasks from planting trees to clearing invasive plants.

Current work involves working closely with the beneficiary and building wooden pathways.

Examples of work undertaken include planting oak trees, hedge laying, planting wildflowers, clearing invasive plants from ponds, making and installing bird boxes and bat boxes, building a boardwalk to allow wheelchair access and path/roadway maintenance to allow access for education trips to the site.

Community payback work in partnership with National Trust staff and volunteers for the benefit of the community. Working with others to achieve goals and seeing the results of their efforts also gives offenders a healthy boost to their confidence and self-esteem. Offenders enjoy working outside, it reduces stress, combats loneliness and isolation, and builds their sense of self-efficacy.



## Sustainable procurement

MoJ's sustainable procurement policy ensures we incorporate sustainability into all procurement activities to achieve long-term value for money. Associated programmes include embedding specific sustainability clauses into all future estate contracts, a whole-life costs policy (i.e. production, in-use, and disposal) and ensuring procurement staff receive appropriate sustainability training.

The Contract and Commercial Management Directorate (CCMD) have developed a sustainability action plan covering various actions including agreeing key sustainability metrics to be captured in our commercial contracts and to be monitored through the life of the contract and including sustainability clauses in the MoJ model terms and conditions for goods and services requiring compliance with Government Buying Standards and maintaining an environmental management system.

MoJ CCMD has a strategy in place to achieve the central government target of 100% of all in scope N1 vehicles under 3.5 tonnes to be zero emission by December 2027. To achieve this, work is taking place to ensure that sufficient charging capacity is available at sites operating vehicles, and electric vehicles are brought onto fleet as soon as is practicable to do so. HMPPS continues to explore ways to transition its vehicle fleet to ultra low emission vehicles and zero emissions in line with the GGC, where viable options are available and where the business/operational use is deemed appropriate.


The prison food contract ensures all products are bought in line with animal welfare and fair trade/ethical standards. All animal derived foods are from farm assured sources – all fish and products containing palm oil are sustainably sourced, and over 50% of produce is from the UK.

## Reducing environmental impacts from ICT and digital

MoJ's digital and technology services are working towards driving more environmental outcomes. In 2021/22, a digital sustainability working group was set up looking to address the impacts of ICT on the environment, and we have adopted the 'greening government: ICT and digital services strategy' and associated targets.

## Sustainable construction: Building Research Establishment Environmental Assessment Method (BREEAM)

Our revised Sustainable construction: BREEAM policy (August 2021) requires all new build projects to target BREEAM 'outstanding' and major refurbishments to target BREEAM 'excellent'. The newest prisons, HMP Five Wells and HMP Fosse Way, (previously referred to as HMP Glen Parva) use green technologies and modern methods of construction to reduce their environmental impact and have received BREEAM 2014 New Construction Excellent certification at design stage.



Our next four prisons are targeting the highest environmental rating of outstanding, aim to reduce emissions by nearly 90% compared to HMP Fosse Way, will be full electric and net zero ready as well as aiming to improve the biodiversity of the local environment by at least 10% (biodiversity net gain).

Sustainable construction principles are also being embedded in the first ground-breaking residential women's centre in Swansea. We have agreed a bespoke BREEAM scheme to capture both the refurbishment and new build elements of the project. There will be onsite sustainable drainage systems to better manage surface water and the site will target biodiversity net gain of at least 10%.



**Amy Rees**  
Chief Executive Officer,  
HM Prison and Probation Service

12 December 2022



# Accountability report





# Corporate governance report

The purpose of the corporate governance report is to explain the composition and organisation of HMPPS and how these arrangements have supported the achievement of its objectives during 2021/22.

## Directors' report

### Statutory background

On 1 April 2008 the National Offender Management Service (NOMS) became an executive agency of the Ministry of Justice (MoJ). This brought together the Probation Service, former NOMS HQ and HM Prison Service to enable more efficient and effective delivery of services.

On 1 April 2017 NOMS became HM Prison and Probation Service (HMPPS), an executive agency of the MoJ. A number of former NOMS functions transferred to the MoJ to allow HMPPS to better focus on improving operational performance in prisons, probation and youth custody.

### Agency board and HMPPS leadership team

The governance arrangements within HMPPS from 1 April 2021, as agreed by the Permanent Secretary and the HMPPS agency board, included:

- four agency board meetings focusing on strategic priorities including performance, risk and investment
- a weekly HMPPS leadership team with a rotating focus on people, change, performance, finance and risk, and infrastructure

Governance to facilitate the business' COVID-19 response at pace was put in place in March 2020, including additional HMPPS leadership team meetings to consider COVID-19-related issues. These were daily from 23 March 2020 to the end of May 2020, when the HMPPS leadership team then continued to meet two or three times a week as necessary until May 2021 when the meetings returned to a weekly basis.

These were supported by a comprehensive range of sub-committees and three operational management committees – for probation, prisons and the Youth Custody Service – reporting to the HMPPS leadership team.

Dr Jo Farrar was appointed as Chief Executive Officer of HMPPS by the Permanent Secretary of the MoJ on 1 April 2019 and subsequently as Second Permanent Secretary, MoJ, and CEO, HMPPS on 16 March 2021.

The Second Permanent Secretary, MoJ, and CEO, HMPPS's pay is determined under the rules set out in chapter 7.1 (Annex A) of the Civil Service Management Code. Other members of the agency board and HMPPS leadership team are appointed by the Chief Executive Officer with the agreement of the Permanent Secretary of the MoJ. Details of the remuneration of Directors of the agency board and the HMPPS leadership team are set out in the remuneration and staff report on pages 94 to 108.

**As of 31 March 2022 the structure of the agency board and HMPPS leadership team was:**

**HMPPS agency board**

*Core members*

Non-executive directors (four, including one chairing)

CEO

Director General, Prisons

Director General, Probation, Youth and Wales

Executive Director, Youth Custody Service

Executive Director, Strategy, Planning and Performance

MoJ Director, Finance Business Partnering

MoJ People Group Director – Strategy and Delivery (until 31 January 2022)

MoJ People Group Director – HR Business Partnering and People Change (from 1 February 2022)

*In attendance*

MoJ policy group

CEO's office

Secretariat

**HMPPS leadership team**

*Core members*

CEO (chair)

Director General, Prisons

Director General, Probation, Youth and Wales

Executive Director, Youth Custody Service

Executive Director, Strategy, Planning and Performance

MoJ Director, Finance Business Partnering

MoJ People Group Director, Strategy and Delivery (until 31 January 2022)

MoJ People Group Director, HR Business Partnering and People Change (from 1 February 2022)

*In attendance*

MoJ policy group

CEO's office

Secretariat

Additional executive directors and functional lead directors are invited to attend agency board and HMPPS leadership team meetings for specific discussions related to their area.

**During 2021/22 the members of the HMPPS agency board and HMPPS leadership team were:**

*Core members*

Non-executive director – Gerard Lemos\*

Non-executive director – Alan Hammill\* (until 30 June 2021)

Non-executive director – Lesley King-Lewis\*

Non-executive director – David Bernstein\* (from 20 May 2021)

Non-executive director – Heather Savory\* (from 20 May 2021)

Second Permanent Secretary, MoJ, and CEO, HMPPS – Dr Jo Farrar

Director General, Prisons – Phil Cople

Director General, Probation, Youth and Wales – Amy Rees

Executive Director, Youth Custody Service – Helga Swidenbank

Executive Director, Strategy, Planning and Performance – Ian Blakeman

MoJ Director, Finance Business Partnering – Lorna Maden

MoJ People Group Director, Strategy and Delivery – Dave Mann (until 31 January 2022)

MoJ People Group Director, HR Business Planning and People Change – Caroline Murray (from 1 February 2022)

### *In attendance*

MoJ policy group

CEO's office

Secretariat

Cheryl Avery (Executive Director, Prison Reform) and Gary Badley (interim Executive Director, Prison Supply) attended HMPPS leadership team meetings on rotation to increase diversity of thought and bring an ethnic minority perspective to discussions as part of the business' commitment to drive diversity and inclusion across HMPPS.

### *\* HMPPS agency board only*

Additional executive directors and functional lead directors were invited to attend the HMPPS leadership team and agency board meetings for specific discussions related to their area.

Details of company directorships and other significant interests held by HMPPS' directors can be found in Note 21 of the accounts on page 180.

### **Changes to the agency board and HMPPS leadership team since 1 April 2022**

On 1 September 2022, the Deputy Prime Minister appointed Amy Rees (formerly HMPPS Director General for Probation, Youth and Wales) as HMPPS Director General CEO, and Phil Copple (formerly HMPPS Director General for Prisons) as Director General Operations.

As Director General CEO, Amy also became the Accounting Officer for HMPPS. Former HMPPS CEO Dr Jo Farrar will continue to oversee HMPPS as part of her continuing MoJ Second Permanent Secretary role.

Chief Operating Officer Prisons Michelle Jarman-Howe became a member of the HMPPS agency board and the HMPPS leadership team on 1 September 2022.

Jim Barton became HMPPS Executive Director of Change and a member of the HMPPS agency board and the HMPPS leadership team on 1 September 2022.

From 5 April 2022, Ian Blakeman was interim Lead Director for the Service Delivery Transformation Group, while continuing his existing role as Executive Director, Strategy, Planning and Performance. As of 1 October 2022 he became MoJ Director of Planning and Performance.

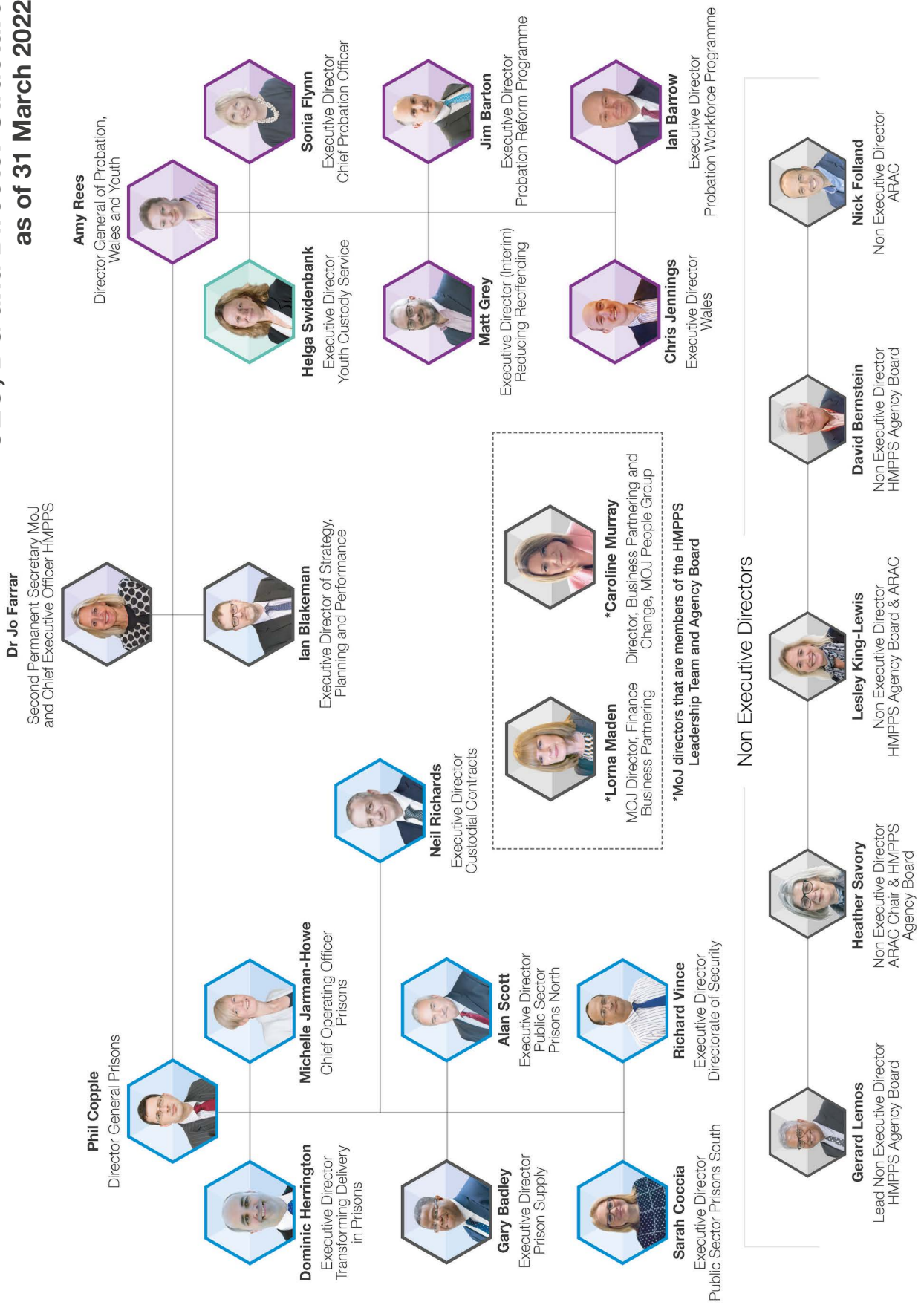
Hannah Meyer became HMPPS Executive Director of Strategy, Planning and Performance and a member of the HMPPS leadership team on 14 November 2022.

Ed Cornmell became HMPPS Executive Director of the YCS and a member of the HMPPS agency board and HMPPS leadership team on 24 October 2022 following Helga Swidenbank's departure on 31 October 2022.

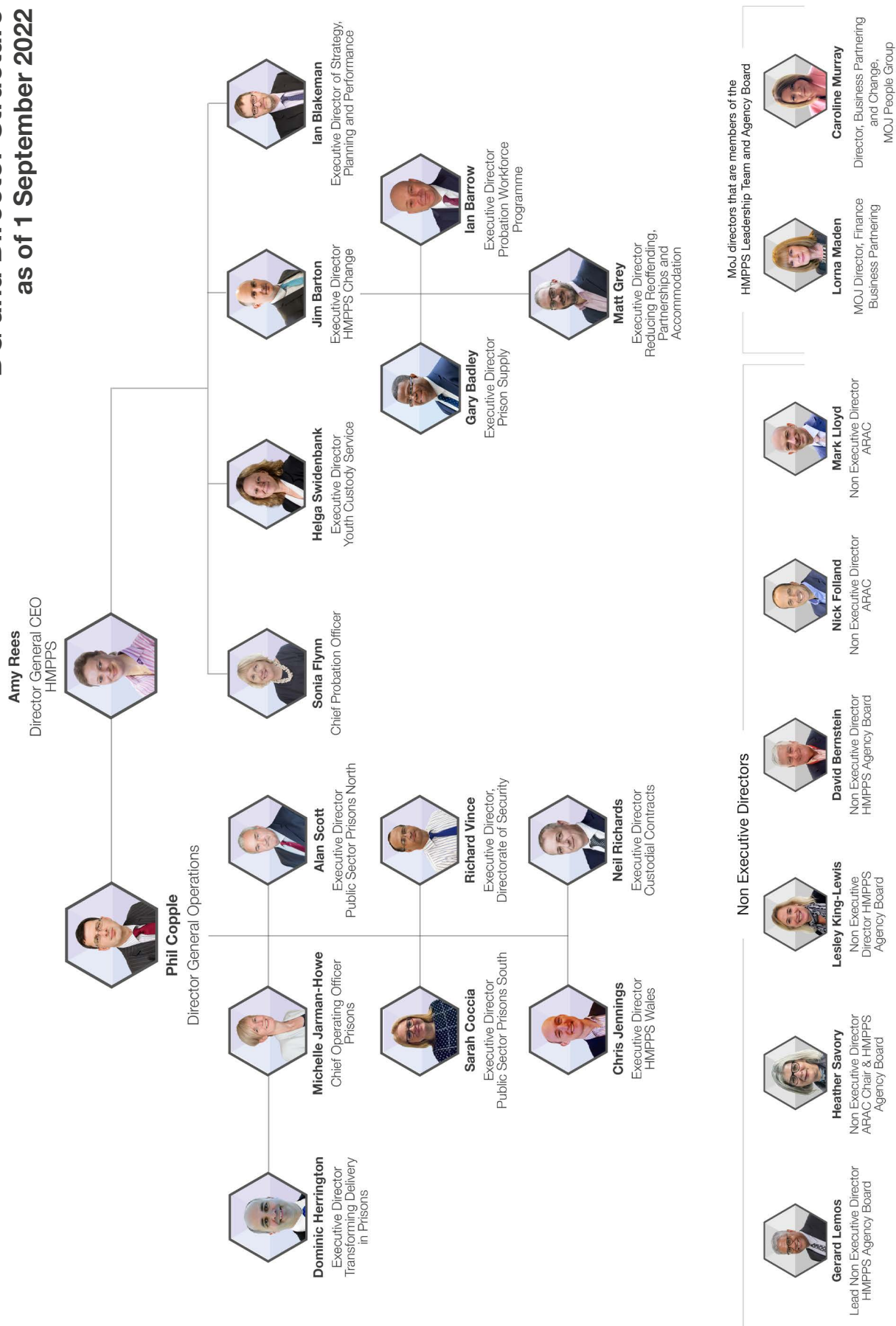
Non-executive director Lesley King-Lewis stepped down as a member of the Audit, Risk and Assurance Committee on 14 July 2022, but continued as a member of the HMPPS agency board.

Following the death of Her Late Majesty Queen Elizabeth II in September 2022, and the accession of His Majesty King Charles III, the full name of the Agency changed from Her Majesty's Prisons and Probation Service to His Majesty's Prisons and Probation Service. The working name of HMPPS remains unchanged.

# CEO, DG and Director Structure as of 31 March 2022



# DG and Director Structure as of 1 September 2022



# Governance Statement

## Introduction

HMPPS is an agency of the Ministry of Justice (MoJ). Its key duties are to implement the sentences and orders of the courts, to protect the public and rehabilitate offenders.

The organisation operates in accordance with its published framework document which sets out the arrangements for the governance, accountability, financing, staffing and operation of HMPPS, agreed between the Secretary of State for Justice and the Agency Chief Executive Officer (CEO), and approved by the Chief Secretary to the Treasury.

On 1 September 2022, the Deputy Prime Minister appointed me (Amy Rees, formerly HMPPS Director General for Probation, Youth, and Wales) as HMPPS Director General CEO, and Phil Copple (formerly HMPPS Director General for Prisons) as Director General Operations. Former HMPPS CEO Dr Jo Farrar will continue to oversee HMPPS as part of her continuing Second Permanent Secretary role.

As Director General (DG) CEO, I also became the Accounting Officer for HMPPS and am responsible for the day-to-day operations and administration of the agency, and leadership of its staff. I am accountable to the MoJ Permanent Secretary and Principal Accounting Officer, and ultimately to Parliament.

Throughout the year the HMPPS leadership team and the agency board have maintained close scrutiny of day-to-day business, risk, performance and financial expenditure through formal governance arrangements. Actions have been taken to respond to issues and mitigate risks to the business as necessary. This includes additional governance arrangements being put in place specifically to consider the business' ongoing response to, and recovery from, the COVID-19 pandemic. Specific actions have been taken in response to significant risks and issues, set out on pages 74 to 84.

The remainder of this statement explains in more detail the arrangements in place to govern HMPPS from 1 April 2021.

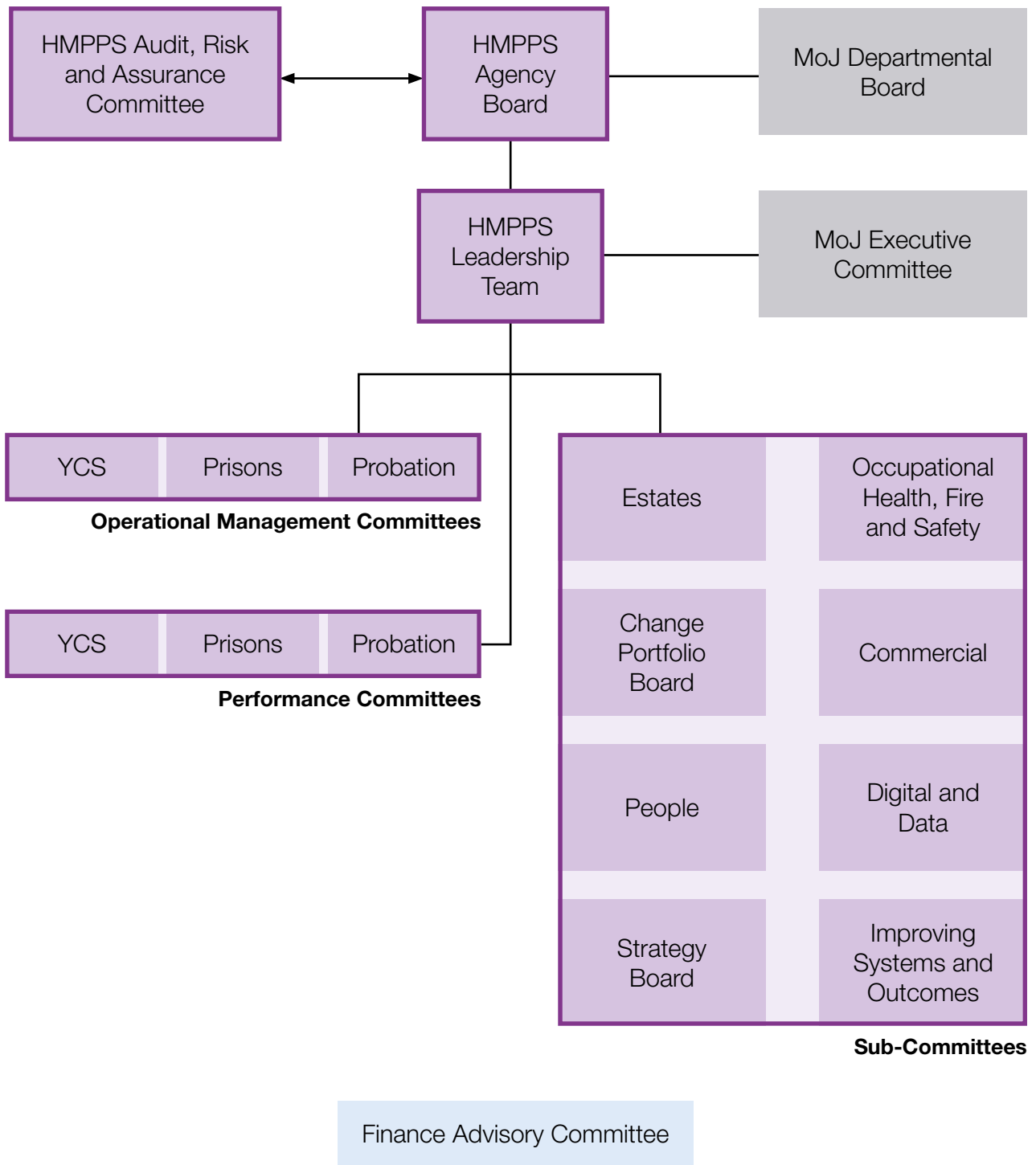
## Governance framework

Overall responsibility for HMPPS rests with me as the DG CEO, supported by the agency board and HMPPS leadership team. I am also a member of the MoJ departmental board which is chaired by the Secretary of State for Justice, and a member of the MoJ executive committee which is chaired by the Permanent Secretary.

I have regular meetings with the minister with responsibility for prisons and probation and with the Secretary of State for Justice.

The key governance structures in place as of March 2022 are shown on the chart.

## HMPPS governance structure as of March 2022



## HMPPS agency board

**Chair** HMPPS lead non-executive director

**Frequency** 4 during the year

### Composition as at 31 March 2022

By position:



- Non-executive directors
- CEO
- Directors general
- Executive directors

By gender:



- Female
- Male

### Role of the board

The board gave direction to, and drove achievement of, HMPPS' objectives.

It put in place:

- competent and prudent management
- sound planning
- proper procedures for the maintenance of adequate accounting
- other records
- systems of internal control and compliance with legislative and corporate governance requirements

The agendas and reports presented to the HMPPS agency board ensured a strategic focus on key priorities and their delivery, and included deep dives on highly significant issues, such as actions to address staffing and retention issues.

The agency board's responsibilities also included:

- agreeing the vision and strategy of HMPPS and aligning HMPPS values with those of the Civil Service Code (integrity, honesty, objectivity and impartiality)
- agreeing appropriate governance and internal controls, including processes to ensure sound financial management and good value for money
- agreeing processes to manage financial and performance risks
- supporting the leadership team to deliver operations



## HMPPS agency board

### Key issues and reports discussed during the year under review

Issues and reports discussed in 2021/22 included:

- supply and demand, and prison capacity – taking into account the population projections of the prison estate, including a focus on contingency options
- the HMPPS response to, and recovery from, COVID-19 – the service-wide effect actions taken to mitigate and recover from its impact
- the strategic planning and allocations process following the Spending Review 2021 settlement
- prison reform – to ensure secure, safe and orderly prisons with well-trained, skilled staff and leadership where time is well spent to best prepare prisoners for a crime-free life on release
- probation reform including the process of bringing Community Rehabilitation Company and National Probation Service staff and assets together into a unified organisation from 26 June 2021
- creating a clear strategy for the future of the youth secure estate to allow the Youth Custody Service to achieve its strategic objectives of improving the experience and outcomes for children in custody, drive positive resettlement and improve public protection
- regular oversight of performance, risk, finance and change including:
  - the Audit, Risk and Assurance Committee chair's reports and corporate risk register
  - change portfolio and management accounts updates
  - prison, probation and Youth Custody Service performance packs

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### Managing conflicts of interest

At the beginning of every HMPPS agency board meeting, all members are asked to declare any new potential conflicts of interest. These are noted in the minutes, along with the appropriate action taken to manage them such as members withdrawing from discussion relating to those interests. The agency board and HMPPS leadership team members are also asked to review and update the conflicts of interest record at least annually.

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## HMPPS leadership team

<b>Chair</b>	HMPPS CEO
<b>Frequency</b>	Usually weekly, but two or three times a week as necessary during 2021 to more effectively consider our response to COVID-19

### Composition as at 31 March 2022

By position:



■ CEO ■ Directors general  
■ Executive directors

By gender:



■ Female ■ Male

### Role of the leadership team

The HMPPS leadership team is responsible for supporting the agency board in the day-to-day management of HMPPS. This included all agency-wide corporate and operational issues, as well as prison, probation and Youth Custody Service performance, finance and risk management. It's supported by the three operational management committees for prisons, probation and youth custody. These are chaired by the Director General, Prisons, Director General, Probation and Executive Director, Youth Custody Service respectively, and the sub-committees shown on the governance chart on page 60.

### Key issues and reports discussed during the year under review

Issues and reports discussed in 2021/22 included:

- actions and mitigations to recruit and retain prison and probation staff to meet the resource shortfalls across the business
- short-term preparation for an increase in demand as courts ramp up their capacity post-COVID, and medium-term prison capacity options to deliver additional places from 2024 onwards
- considering strategic and operational issues at pace to address and manage the impact of COVID-19 as well as the business' recovery, future resilience for living with COVID-19 and 'building back better'
- developing the approach and proposal for the HMPPS Spending Review bid for 2021
- prison safety – particularly the rate of self-harm in the women's estate, and the actions being taken by the safety programme to address these issues
- considering the wellbeing support available to staff, acknowledging the wide range of related work taking place across HMPPS, including delivery of the Diversity and Inclusion roadmap, Race Action Programme, prison safety, staff recruitment initiatives to improve shortfalls, HMPPS recovery from COVID-19 programmes, increased hybrid and flexible working, and an important focus on organisational culture and behaviours
- regular oversight of performance, risk, finance and change including the corporate risk register, change portfolio and management accounts updates, and prison, probation and Youth Custody Service performance packs

## HMPPS Audit, Risk and Assurance Committee (ARAC)

**Chair** HMPPS non-executive director

**Frequency** Quarterly

### Composition as at 31 March 2022

By position:



- Non-executive directors
- CEO ■ Executive directors
- Government Internal Audit
- Agency representatives
- National Audit Office representatives

By gender:



- Female ■ Male

### Role of the committee

The ARAC is an advisory body providing independent advice on governance, risk management and control issues, and on the internal audit work programme. It provides scrutiny of the accounts and considers key recommendations from internal audit reports and the National Audit Office.

### Key issues and reports discussed during the year:

- the HMPPS risk management approach, including deep dives into people, resources and corporate risks
- electronic monitoring – the decision to re-set the programme and the provision of future services
- the agency’s approach to the management of women and girls in custody
- the clearance of the HMPPS annual report and financial accounts for 2020/21
- the approach to risk management, replacement of legacy technology and access to technology in HMPPS

Details of agency board, HMPPS leadership team and ARAC membership, including attendance records, can be found on page 91.

## HMPPS leadership team sub-committees

### **Prisons, probation and Youth Custody Service operational management committees**

These committees oversee and take necessary decisions regarding the day-to-day delivery of prisons, probation and youth custody (public and private sector) including risk, assurance and finances. This will include issues which are to be delivered by other directorates, or the wider MoJ, which impact operations.

### **Prisons, probation and Youth Custody Service performance committees**

These committees oversee and take necessary decisions regarding the performance of prisons, probation and youth custody (public and private sector). This will include issues which are to be delivered by other directorates, or the wider MoJ, which impact operations.

### **Estates**

This committee provides strategic oversight and guidance across all prison, probation and youth custody estate projects.

### **People**

This committee supports the HMPPS leadership team in its leadership and management of people strategies to improve the co-ordination of design, decisions and implementation of cross-cutting programmes of work.

### **Digital and data**

This committee oversees all digital and data services delivered to HMPPS and takes any necessary decisions and actions regarding performance, risk, assurance and finances.

### **Commercial**

This committee oversees, assure and supports all commercial and contract management activities regarding the services delivered through contracts to HMPPS.

### **Occupational health, safety and fire**


This committee provides senior leadership and direction to the management of occupational health, safety and fire across HMPPS, ensuring that strategic systems for their management are adequate.

### **Improving systems and outcomes**

This committee oversees, assures and drives the operational delivery of reducing reoffending activity across HMPPS.

### **Change portfolio board**

This is the decision-making body for change activity across HMPPS, providing senior leadership and challenge to ensure delivery of change is on track and operational impact and delivery are taken into account.



## HMPPS leadership team sub-committees

### **Strategy board**

This board supports operational decision-making and provides leaders with assurance that decisions affecting our long-term future will build the resilience and performance of the agency as a whole.

### **Finance advisory committee**

This committee provides advice and support for financial issues and decisions due to be considered by the HMPPS leadership team, sub-committees and MoJ finance governance. It provides financial scrutiny of HMPPS including financial planning, governance, monthly management accounts and wider accounting implications of investments.

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## HMPPS COVID-19 recovery

In 2021/22, COVID-19 continued to create unprecedented challenges for the delivery of prison, probation and youth custody services. Across England and Wales, HMPPS has worked closely alongside public health agencies, the Department of Health and Social Care, the NHS, Welsh Government and the wider MoJ to make sure we are able to cope with ongoing impact of COVID-19.

Our decisions throughout COVID-19 have been based on three core objectives:

- to preserve life
- to maintain security, stability and safety
- to provide sufficient capacity

This required us to make some difficult decisions around significantly reducing the amount of regime we were able to deliver.

In February 2022, the government published its living with COVID-19 strategy. The time was right to also move towards a more normalised approach across the HMPPS estate. We will now rely on a core set of measures that seek to retain our infection resilience while minimising disruption to the delivery of regimes. This will continue to be supported by swift and proportionate local intervention where public health incidents occur, where outbreaks are found, or to respond to significantly escalating risk. Focus now is on returning to deliver our key rehabilitation services within the current operational context.

Colleagues across HMPPS have responded to this virus with dedication, confidence, and creativity, always

putting our staff and the people in our care first. The constructive and positive way frontline teams and the centre have worked together has been exceptional and has undoubtedly saved many lives.

Learning from our response to COVID-19 will allow us to build back better, making us better equipped to deliver our most important priorities, guided by our strategy. A lessons learned review will report in Autumn 2022. A core team has been retained to monitor the COVID-19 risk and support prison establishments to prepare for any further response and to escalate this for action if required.

## Oversight and assurance arrangements

The HMPPS agency board provides scrutiny of performance risk management systems and financial accounts.

The HMPPS leadership team exercises oversight of the performance of HMPPS on behalf of the agency board by:

- using the performance, risk and planning framework to check the progress against delivery of HMPPS's key priorities
- receiving up-to-date reports on the in-year financial position and regular updates on the progress of major change projects and programmes
  - making decisions, based on agreed thresholds, on any issues arising and discussing issues exceeding the agreed thresholds (such as overspend and significant risks to delivery)
- agreeing delegations to directorates and throughout the governance structure to ensure the right decisions

are being taken by the right people in the right place, while ensuring the agency board was provided with the appropriate level of assurance

The agency board also considered information from a range of external sources which included:

- HM Chief Inspector of Probation and Prison and Independent Monitoring Boards
- the Prisons and Probation Ombudsman
- the National Audit Office
- the Youth Justice Board

In addition, one of the key sources of independent assurance within HMPPS came from the internal audit service delivered by the Government Internal Audit Agency. Arrangements are in place to ensure that I am made aware of any significant issues which indicate that key risks are not being effectively managed. I am assured that the internal audit service complies with the public sector internal audit standards.

### **Government Internal Audit Agency (GIAA)**

GIAA provided a 'moderate' annual opinion, defined as 'some improvements are required to enhance the adequacy and effectiveness of the agency's framework of governance, risk management and control'. This reflects, in part, that the majority of assurance reports issued were rated either moderate or substantial. They have continued their coverage on controls applied to ensure safe operating environments for staff, residents and service users as regime activities increase. Relationships remain strong across the senior management team as they plan for

a broadened focus of wider operational risks for 2022/23.

GIAA's work this year has been positive around capture and analysis of safety data and safety workstream assurance. They have also highlighted the effective operation of segregation units within establishments, but commented that this operational delivery is siloed, lacking the necessary integration into wider establishment and offender management strategy. Their work in probation identified the successful transfer of services into the Probation Service and adequate preparations for training, smarter working and the move towards the target operating model had been made. However, they commented that there is a need for a more structured approach to recruitment in probation. GIAA have also highlighted that, to achieve our people objectives, there is a need to improve the clarity of roles and the level of scrutiny of information provided to the people sub-committee.

The cross-departmental audits of functions (which covered HMPPS) highlighted that work to embed the MoJ's functional structures and functional standards remains ongoing. GIAA made observations in relation to establishing further clarity between functional and agency or arms-length bodies responsibilities as this has an impact on compliance with policies and holding to account. They have also referenced the ambition of the MoJ to improve on the availability and use of data. They have observed examples of effective use of data in support of the development of policy and in the monitoring of achievement of Operational Delivery Profession objectives. However, they

also highlighted that their work across a number of areas in the department has shown that gaps exist in the availability of management information, which impacts development of effective assurance frameworks.

As well as GIAA, the Accounting Officer draws from sources of internal assurance including:

- annual assurance statements from each of the directors covering the key systems for which they are responsible
- a second line assurance function, reviewing operational delivery
- bilateral meetings with the lead non-executive director to discuss any concerns they may have
- regular reports from managers on the steps they are taking to manage risks in their areas of responsibility including progress reports on key projects
- corporate oversight of high-value contracts (via the HMPPS commercial sub-committee) and operational assurance activity (the operational and system assurance group) to confirm the quality of contractual service delivery
- a report from the chair of the ARAC
- attendance at the ARAC

### **Independent oversight of assurance arrangements**

HMPPS is subject to independent external scrutiny and oversight in a number of areas, including by the:

- Parliamentary Public Accounts Committee and Justice Select Committee inquiries
- National Audit Office reports (including value for money) and the audit report for the Annual Report and Accounts
- HM Chief Inspector of Prisons publications and annual report

- HM Chief Inspector of Probation publications and annual report
- Prisons and Probation Ombudsman
- feedback from the Major Projects Review Group
- Independent Monitoring Board regular reports
- Ofsted reports
- lay observers

## **Improving governance**


The corporate governance code for central government departments recommends that a board effectiveness evaluation is carried out annually. This year's effectiveness review of the agency board was led by lead non-executive director Gerard Lemos, supported by the HMPPS leadership team, in November and December 2021. The latest revised Cabinet Office guidance was used to shape the review. The areas considered included structure, processes, performance and people.

Subsequent feedback provided by board members was good, highlighting the board's:

- clear sense of purpose and collaborative approach to its leadership
- improved wider governance structure
- quality of information
- productive relationships between members and wider functional leads

Areas for improvement included fewer agenda items to allow time for more in-depth discussions and increased opportunity to spend time considering the longer-term vision for the business. These recommendations are being taken forward by the secretariat.





The agency board was satisfied that it had sound governance in place, and that HMPPS was compliant with the relevant sections of the guidance. During 2021/22, agency board meetings were chaired by the lead non-executive director in accordance with the agency framework document.

HMPPS did not have a specific remuneration committee as the scope for making decisions on senior pay was limited. Decisions on senior pay, remuneration and bonuses were ratified by the MoJ remuneration committee.

## Quality of information

HMPPS recognises the need to ensure the agency board, HMPPS leadership team and sub-committees receive sound advice and information to enable informed decisions to be made. The board secretariat works with teams to ensure the information provided is of a good quality, and uses a template for committee papers which is structured to ensure risks and resource implications are highlighted and to ensure sufficient engagement and challenge during discussions. The structure and information contained in regular agenda items has been reviewed, improved and updated over the course of the year.

The agency board was content that the data it was provided with was adequate, timely and comprehensive and there were robust arrangements for reviewing and checking data.

## Financial delegations

At the start of the 2021/22 financial year, the Permanent Secretary provided the Accounting Officer with a delegation letter encompassing all aspects of HMPPS' spend. It laid out the key conditions that I, as Accounting Officer for HMPPS, and all staff within HMPPS, must adhere to. To enable efficient operational delivery, the agency operates a scheme of delegation that cascades down through the organisation from the Permanent Secretary, to myself, as DG CEO, through to all budget holders, including the probation delivery units and public sector prisons. Where a full delegation is not required, a statement of financial authority and/or a manual payment authority may be issued to staff who commit expenditure on behalf of the budget holder.

The delegation letter follows a standard format that is used across the department and specifies the recipient's responsibilities as budget holder. The delegation letter also provides details of the funding allocated at each level and although a budget may be sub-delegated, the accountability for the use of the budget remains with the main budget holder. Adherence with the terms and conditions of each delegation is monitored through the line management chain with specialist finance support provided from MoJ finance under a functional leadership model. Each cost centre budget holder is supported by a finance business partner and is provided with monthly management accounts to enable effective decision making. Other specialist finance support may be accessed via the finance business partners as and when required.

HMPPS is subject to a collection of spending controls, some dictated by HM Treasury, some by the Cabinet Office, with the remainder specified by the MoJ. These controls are notified via the delegation process and are available for all to view on the MoJ intranet. Adherence with these controls is monitored on a monthly basis by the financial governance and grants centre of excellence. Other controls also exist to reduce the risk of fraud or error, some of these are system-based within the departmental enterprise resource planning, known as SOP. Other controls rely on segregation of duties, such as manual payments, with transaction samples checked to ensure that the payments made are appropriate. Additionally, all budget holders are required to complete mandatory 'licence to operate' training.

## Value for money and financial performance

HMPPS ensures it has transparency and control over value for money and financial performance through a variety of control mechanisms. Budget holders are supported in their duties by a team of professional finance business partners who act as critical friends to the business and provide specialist advice as required. Control frameworks are detailed here:

- Detailed monthly reporting to HMPPS leadership team on in-year financial performance against its delegated resource and capital budgets. Corrective actions are identified and implemented if required. This is supported by regular meetings with budget holders across HMPPS on financial performance with clear

lines of accountability on budget and commercial delegations. HMPPS met its financial targets on both capital and resource in 2021/22.

- Budgets are set through an allocation process which requires HMPPS leadership team discussion and approval based on a series of recommendations from MoJ Finance which recognise HMPPS priorities and pressures including changes in prison and probation population, pay and non-pay inflation and ministerial priorities.
- Resource and capital budget allocations are aligned to the priorities set out in the department's Outcome Delivery Plan and are delegated to budget holders in line with our formal processes.
- Budgets and in-year financial performance are approved and regularly monitored by the HMPPS board, informed by timely data and insight produced by the finance function.
- Individual decisions for approval by the HMPPS leadership team require exposition of any financial implications including affordability.
- There is also a HMPPS finance advisory committee which identifies and initiates actions to correct any financial and management accounting issues as required.
- Formal review and oversight are provided by the ARAC.

For the 2022/23 financial year, the HMPPS leadership team have agreed a process which will support improvements required to track spend and actively re-prioritise and reallocate funding to maximise opportunities and mitigate

risks and pressures. Improvements are detailed below:

- For both the resource (RDEL) and capital (CDEL) departmental expenditure limits, we will conduct regular assessments of in-year and medium-term financial plans, with the first full review to be carried out early in the year. This will be a collaborative exercise across financial planning, management accounts and business partner teams with output signed off by directors general and HMPPS leadership team.
- Taut forecasting at an earlier stage encouraging transparent, realistic forecasting with robust challenge of delivery plans especially for new areas of Spending Review investment.
- Greater focus on forecasting accuracy, early visibility over management of contingencies and underspends, and strengthening the management of large-scale capital budgets.
- Inclusion within the financial forecast of material financial uncertainties (i.e. risks only where we have very limited opportunity to mitigate and opportunities which we are confident of crystallising).
- Cross-team working to review inflationary pressures with commercial, economists and finance.

As well as the above, I, as HMPPS Accounting Officer, receive formal Accounting Officer advice on all major business cases such as the prison capacity programme and other potentially contentious decisions. The advice covers the four Accounting Officer responsibilities of regularity, propriety, value for money and feasibility to ensure that I discharge my responsibilities in line with HM Treasury policy.

HMPPS relies on GIAA to test controls and compliance through an agreed audit programme that is reviewed and approved by the HMPPS Accounting Officer, the HMPPS leadership team and the ARAC.

## Risk management

HMPPS operates in a high-risk operational environment and this is reflected in the types of risks managed as well as the risk management process. The financial year 2021/22 continued to bring unprecedented challenges to the delivery of our services as we recovered from COVID-19. HMPPS' ability to be agile in the way it manages risk has been pivotal to the continued delivery of its core aims and objectives.

Gold Command structures were in place to manage the risks to service delivery caused by COVID-19 with frequent reporting to the COVID-19 programme and HMPPS leadership team throughout the period. Like many industries, HMPPS has experienced significant pressures in recruiting, retaining and training staff to ensure service provision. Emphasis was placed on risks relating to:

- the safety, health and wellbeing of our staff and those within our care
- the supply of necessary goods and services and the resilience of our supply chain
- capacity of our estate
- regimes and services we offer

During the course of the year, the MoJ risk and assurance team facilitated a discussion with the HMPPS leadership team about risk appetite and tolerance. Risk appetite and risk tolerance are not simple concepts and terms, particularly in

the public sector where high levels of risks are inherent in the delivery of services, and choices over how to reduce risks and the pace of progressing risk treatment options are more constrained. HMPPS leadership team members were asked to undertake a survey of their view of the levels of risk currently being taken and also the level of risk they thought HMPPS should be willing to tolerate for each of the principal risk areas. A discussion followed, with the outcome from the survey and discussions to be incorporated into the quarterly risk reporting for the coming year.

### **Risk management framework**

During the course of the year, HMPPS continued to embed its overarching risk management and assurance framework, bringing to life the principles and concepts of the Orange Book linking HMPPS' vision and principles to the risk management process. HMPPS' risk management framework closely aligns to the MoJ risk framework directly supporting the reporting of risk against the Outcome Delivery Plan objectives.

Our principal risks have been considered and discussed by the HMPPS leadership team and reported to the ARAC and agency board on a quarterly basis. We have also supported the MoJ's reporting of key risks to the Finance, Performance and Risk Committee and the Executive Committee through our membership of the Risk Advisory Group which provides challenge around ongoing activity to address those risks that impact on the delivery of HMPPS objectives.

Collaboration and engagement are central to the success of our risk management framework. Stronger relationships have

been built during the year between risk leads and owners and the HMPPS risk management team. Monthly risk discussions are taking place to inform reporting and during the coming year we intend to introduce a risk advisory group which mirrors that in the MoJ, bringing together risk leads to discuss and challenge risks and inter-dependencies across HMPPS. We have worked closely during the year with the business to improve the management of risk down to frontline operational teams. While work continues in this area, the HMPPS risk management team have offered training to frontline staff on how to identify, manage and record discussions around risk. We have also supported areas of the business that lacked formal risk reporting and recording processes to develop and embed these. To enhance the embedding, escalation and reporting of risk management throughout HMPPS, we will review options to introduce a single risk tool across HMPPS. We will also commence the mapping of a HMPPS-wide assurance framework in the coming year.


GIAA highlighted in 2020/21 that the risk management framework had effectively aligned with the department, and in 2021/22 they have observed that processes have continued to refine in relation to risk reporting, reviewing and alignment to Outcome Delivery Plan priorities. Their continued coverage of governance, risk, assurance and finance in the operational delivery of prison groups and probation has shown similar positive outcomes to previous years.

## Significant risks and issues

The following significant risks and issues were identified and assessed after considering the HMPPS corporate risk register and annual assurance statements from the directors general and executive directors. These risks and issues have been linked to the relevant strategic principle.

HMPPS strategic principles	
1) Enable people to be their best	3) Transform through partnerships
2) An open learning culture	4) Modernise our estates and technology


Impact key		
		
Risk rating has improved over the reporting period	Risk rating has worsened over the reporting period	Risk rating has remained stable throughout the reporting period

Specific operational issues		
<b>Topic: People – principles 1, 2</b>		
<b>Risk:</b> Failure to attract, mobilise and retain an engaged workforce, and to have well trained, skilled and motivated people, negatively impacts on the ability to achieve HMPPS' business objectives		
<p><b>Detail:</b></p> <p>Recruiting, training and retaining staff has become challenging in the current labour market with risks related to workforce continuing to place pressure on service delivery.</p> <p>Concerns about staffing pressures across prisons and probation due to recruitment and retention challenges remain at the forefront. In probation, increasing caseload pressures when a number of front-line roles are vacant has added to the pressure. The additional trainee probation officers will help ease the current pressures. The qualification of trainee probation officers is taking approximately 15 to 21 months.</p> <p>The prison service is experiencing significant challenges with both recruitment and retention, leading to a deteriorating 'staff in post' position against target staffing figures.</p> <p>The impact on staff wellbeing as services recover post-COVID-19 is high.</p>	<p><b>Key mitigations:</b></p> <ul style="list-style-type: none"> <li>Working in partnership with the business, MoJ People Group will support the business to implement a programme of activity to tackle retention issues which will be driven by data and insights. Targeted activity will be commissioned with tailored interventions put in place, at local, region and national level, underpinned by a retention framework and toolkit.</li> <li>The probation workforce programme has focused on retention, recruitment, capacity and efficiency to aid the pressures on frontline staff.</li> <li>Virtual recruitment solutions are embedded in processes to enable online assessment centres and interviews resulting in higher attendance than at physical centres.</li> <li>HMPPS and trade unions continued to have strong, constructive engagement with operational and HR issues which can be progressed at pace through a bespoke COVID-19 engagement structure.</li> </ul>	<p><b>Impact on risk:</b></p> 

## Specific operational issues

### Topic: Supply and demand – principles 3, 4

**Risk:** Rising demand may outstrip supply in prisons, probation and youth custody

<p><b>Detail:</b></p> <p>The level of uncertainty in demand has been and continues to be high with the main source of uncertainty at present being police activity and the pace of courts recovery.</p> <p>The prison population continues on an upward trend. The prison supply programme has experienced challenges with planning permissions, availability of materials and labour, and inflationary and other cost pressures. Although we have sufficient prison places in the short to medium term, the system remains vulnerable to adverse shifts in demand.</p> <p>The probation service is operating at or above capacity in most areas. The pressure to clear the outstanding court cases may place additional pressures on prison and probation capacity in the future.</p>	<p><b>Key mitigations:</b></p> <ul style="list-style-type: none"> <li>• Closer working with the wider department to assess demand projections, understand supply risks across the whole system, develop and implement mitigations.</li> <li>• Delivery of around 20,000 places by the mid-2020s remains achievable through the construction of new prisons, expansions, including temporary places, and refurbishment of the existing prison estate.</li> <li>• HMP Five Wells opened on 4 February 2022 delivering around 1,700 places.</li> <li>• The women’s estate capacity taskforce has been established to ensure capacity risks in the short and medium term for the women’s estate are identified and to test creative solutions to reduce demand and increase capacity.</li> <li>• Addressing the increase in capacity that will be needed to meet the anticipated demand on probation with a dedicated workforce programme to recruit an additional 1,500 probation officers.</li> </ul>	<p><b>Impact on risk:</b></p> 
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## Specific operational issues

### Topic: Estates – principles 3, 4

**Risk:** Poor standards of accommodation and maintenance impact on the health and safety of service users and place additional demands on capacity

<p><b>Detail:</b></p> <p>The prison population continues on an upward trend. The prison supply programme has challenges with planning permissions, slippage of delivery milestones and inflationary and other cost pressures. Although the latest projections indicate we will have sufficient prison places in the short to medium term, the system remains vulnerable to adverse shifts in the projections, and to unplanned losses of capacity due to disorder, dilapidation, shortage of staff for escorts and fire safety deficiencies.</p> <p>The condition of the prison estate due to historic funding levels remains a risk. There is the potential for unplanned loss of places due to fire safety and other health and safety reasons linked to dilapidation.</p>	<p><b>Key mitigations:</b></p> <ul style="list-style-type: none"> <li>• £163 million of funding has been targeted at critical projects that limit the growth of annual capacity loss through dilapidation.</li> <li>• A detailed estate survey will clarify the relationship between investment and dilapidation and produce a forward maintenance register from which investment can be targeted in future years.</li> <li>• Initiatives are in place to address the immediate shortages of escorts.</li> <li>• The multi-year settlement from the 2021 Spending Review will allow the creation of a rolling programme of works better equipping the service to forward plan investment and prevent risks increasing.</li> </ul>	<p><b>Impact on risk:</b></p> 
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## Specific operational issues

### Topic: Funding – principles 3, 4

**Risk:** Failure to secure sufficient funding and to prioritise and plan effectively within a balanced budget

#### Detail:

HMPPS received a good settlement through the Spending Review, with uplifts in funding to increase prison capacity, maintenance delivery and support the impact of increased system demand and COVID-19 recovery.

HMPPS remains vulnerable to financial uncertainties in our business planning including facing above-inflation pressures from existing and reform plans which will need to be addressed through the HMPPS allocation process.

The MoJ settlement provides a £3.2 billion cash increase over the Parliamentary period, to £11.5 billion in 2024/25, which is equivalent to a real-terms growth rate of 3.3% per year on average over the Spending Review period. This funding will ensure that the justice system is equipped to recover from COVID-19 and to meet rising demand over the coming years.

#### Key mitigations:

- HMPPS is investing significantly in the prison estate, maintenance, decency improvements and community sentencing. The 2021/22 allocation allowed HMPPS to make improvements to support a safe, fair and prosperous society. Funding was secured against a challenging financial backdrop and reaffirms the long-term commitment to the prison build programme and probation reform agenda.
- We assessed where further in-year investment could be prioritised, with approval based on a rationale of clear value for money benefits, de-risking future year plans and feasibility of delivering in-year programmes.

#### Impact on risk:



## Specific operational issues

### Topic: Safety in prisons – principles 1, 2

**Risk:** High levels of assaults, self-harm and self-inflicted deaths impact adversely on the safety and wellbeing of staff and prisoners

#### Detail:

HMPPS is faced with safety challenges as we recover from COVID-19 and there is a particular focus on the fluctuating levels of self-harm in the women's estate.

The recovery and embedding of the Offender Management in Custody model is expected to have positive outcomes on safety within prisons by offering structured engagement and supervision for prisoners, with the aim of reducing violence and self-harm, and supporting rehabilitation.

The provisions and support for staff are also expected to improve safety outcomes, as we continue to adapt and improve training, professionalise their roles and support their wellbeing.

The published safety statistics show the following in the 12 months to March 2022 for deaths in custody, assaults and self-harm:

#### Self-harm in the 12 months ending March 2022:

- There were 53,754 self-harm incidents, **up** 4% from the previous 12 months (comprising a 3% **increase** in male establishments and a 7% **increase** in female establishments).
- Taking into account the fall in the prison average population since the start of 2020, the rate of self-harm incidents per 1,000 prisoners **increased** 3% in male establishments and **increased** 7% in female establishments in the 12 months to March 2022.

#### Assaults in the 12 months ending March 2022:

- In the 12 months to March 2022, there were 20,077 assault incidents, a 13% **increase** from the previous 12 months. Of these 2,086 were serious assaults, **up** by 11%.
- Rates of assault and serious assault per 1,000 prisoners both **increased** by 13%.

#### Key mitigations:

- Implementation and sign off of the Challenge, Support and Intervention Plan (CSIP).
- Operational and System Assurance Group safety audits.
- Women's self-harm taskforce, additional psychology funding within the women's estate, and a health and social care review which looks at the early days in the women's estate.
- Implementation of the Young Adult Strategy.
- An offender management recovery roadmap has been developed to support prisons with the transition to recovery.
- Roll-out of the revised Assessment, Care in Custody and Teamwork (ACCT) case management system to support those at risk of suicide and self-harm.
- Next generation safety programme developed for introduction in April 2022.
- The Youth Custody Service continued to implement the recommendations from the safety review.

#### Impact on risk:







### Specific operational issues

**In the 12 months ending March 2022, there were:**

- 287 deaths (29% **decrease** from 407)
- 75 self-inflicted deaths (6% **decrease** from 80) – a rate of 1.0 deaths per 1,000 prisoners (unchanged from previous 12 months)

The safety programme was paused during the pandemic, restarting in October 2020 with a revised programme plan in place until the end of March 2022. Progress is being made in all areas of the revised programme with some such as the roll out of PAVA incapacitant spray and SPEAR (personal protection training) moving at a slower pace due to the restrictions on the delivery of training during the pandemic and as we recover services.

## Specific operational issues

### Topic: Probation – principles 1, 3, 4

**Risk:** The probation service does not fully realise the benefits of reforms and current investment across probation, rehabilitation and electronic monitoring. It fails to provide sufficient delivery across the service due to the combined effect of: inherited capacity and performance challenges, demand rising faster than we can increase supply (impacted by wider workforce market challenges), and continuing pressure from COVID-19 recovery

<b>Detail:</b>	<b>Key mitigations:</b>	<b>Impact on risk:</b>
<p>The probation service has inherited significant vacancies, which are accentuated by the need to recruit to an enhanced target operating model. Lead times for recruitment and training mean it will take several years to fully close this gap. Our progress on performance has been impacted by these staffing gaps and the results of the first HM Inspectorate of Prisons inspections since unification have therefore been challenging.</p> <p>The probation reform programme has been impacted by significant gaps in the ability of corporate functions to provide the required level of resource. This has been particularly acute for digital, but has also impacted delivery reliant on commercial, data and analysis, and people group resources. More widely the probation service has seen severe staff shortages which impacts on delivery.</p> <p>During COVID-19, our unpaid work backlog grew by 1.2 million hours with the potential to undermine judicial and public confidence if left unaddressed.</p> <p>The electronic monitoring legacy programme took a significant decision to change strategy to cancel work on a replacement case management system and remain with the existing system. This decision was taken through full governance up to and including the Secretary of State.</p>	<p><b>Probation reform programme and staffing</b></p> <ul style="list-style-type: none"> <li>• Resourcing gaps tracked via the probation workforce programme.</li> <li>• Increased use of contractor resource and novel recruitment parameters such as specialist pay scales.</li> <li>• Procurement of a delivery partner to fill critical gaps in programme resourcing.</li> <li>• Additional trainee probation officers will ease this strain in the coming months and more immediate work has been done in specific regions to tackle the issue.</li> </ul> <p><b>Unpaid work backlog</b></p> <ul style="list-style-type: none"> <li>• Funding was secured in the Spending Review to grow delivery by 8 million hours a year, 155% of pre-COVID-19 delivery.</li> <li>• Agreement made with the judiciary to allow bulk consideration of cases.</li> </ul> <p><b>Electronic monitoring</b></p> <ul style="list-style-type: none"> <li>• Decision to cancel Gemini subject to significant internal and external scrutiny, Crown Commercial Service and National Audit Office.</li> </ul>	<p><b>Impact on risk:</b></p> 

## Specific operational issues

### Topic: Youth Custody Service – principles 1, 2, 3

**Risk:** The Youth Custody Service is unable to provide a suitable safe environment to meet the increasingly complex needs of children in custody

#### Detail:

Levels of violence and self-harm remain high, with longstanding concerns remaining around the suitability of young offender institutions and secure training centres to meet the needs of the cohort.

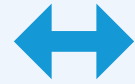
The Youth Custody Service is funded for the capital investment in the Medway site to deliver the first secure school. Charitable status of the first secure school provider was achieved in April 2022 via the Police, Crime, Sentencing and Courts Act. Achieving children’s home registration remains an issue, mitigated by the investment in the site and regular engagement with Ofsted.

The number of children in custody remains low. Capacity across the different sectors of the Youth Custody Service estate remains challenging particularly for specific cohorts of children including girls and under 15-year-old boys. We expect this situation to continue until the secure school opens and a decision about the future of Rainsbrook is agreed.

#### Key mitigations:

- Development of a new performance framework which streamlines performance governance and articulates how we will determine whether we are performing well.
- Engagement with the wider HMPPS workforce retention strategy, which is focusing on stabilising the workforce, supported by a Youth Custody Service recruitment and retention taskforce.
- Maintain focus on Youth Custody Service reform principles within business-as-usual structures including: secure stairs, personal officers, continued professionalisation and learning from CORE.
- Young offender institutions are exiting the national framework alongside wider HMPPS.
- Capacity issues monitored via the Youth Custody Service capacity board with service provision for girls established at Wetherby.


#### Impact on risk:




## Specific operational issues

### Topic: Major disorder in prisons – principles 1, 2, 3

**Risk:** A major disturbance at an establishment giving rise to a contagion effect and leading to major disorder incidents at several establishments. It could cause significant damage, loss of capacity and serious injuries to staff and prisoners, with adverse financial and reputational consequences

<p><b>Detail:</b></p> <p>Intelligence and stability assessments indicate that large scale acts of disorder continue to be unlikely.</p> <p>The easing of restrictions was a main mitigation in reducing tensions and preventing major disorder, however, there was evidence in mid-2021 to show this also increases the potential opportunity for assaults and unrest to increase in the short term.</p> <p>Increased prisoner frustration and tension due to the increased restrictions and/or disparity with the wider community associated with outbreaks and the general regression to stage 3 regimes in December 2021 was well managed.</p> <p>Staffing levels both during the year due to COVID-19 but also as we recover can have an adverse effect on stability. Attrition rates remain high.</p>	<p><b>Key mitigations:</b></p> <ul style="list-style-type: none"> <li>• Effective communications about next steps, measures taken to address concerns and to ease restrictions helped increase understanding of HMPPS' position and ease tensions, particularly when done in a procedurally just way.</li> <li>• Detached duty and operational stability payments are in place to support individual prisons experiencing staffing issues to maintain safety and stability. A focus on retention forms a key aspect of our HR strategy.</li> <li>• Plans in place to exit the national framework at the appropriate time (this was implemented in May 2022).</li> <li>• HMPPS and its recognised trade unions have worked jointly and constructively.</li> </ul>	<p><b>Impact on risk:</b></p> 
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Specific operational issues		
Topic: Counter terrorism – principle 3		
Risk: Systems in place are insufficient to effectively monitor and manage extremist offenders		
<p><b>Detail:</b></p> <p>Our case management and assurance processes for monitoring terrorist and terrorist-risk offenders under HMPPS supervision continue to face significant scrutiny. This comes through various inquests and inquiries into high-profile terrorist attacks since 2017, and by the Independent Reviewer of Terrorism Legislation.</p>	<p><b>Key mitigations:</b></p> <p>Significant annual investment through the counter terrorism step up programme.</p> <p>Achievements include:</p> <ul style="list-style-type: none"> <li>• joint counter terrorism prisons and probation hub delivering better intelligence co-ordination and information sharing</li> <li>• specialist search teams increasing the number of intelligence-led searches for extremist material</li> <li>• enhanced control and monitoring of terrorist and terrorist risk prisoners’ communications</li> <li>• the National Security Division was introduced to provide an enhanced level of intelligence-led monitoring, case management and intervention for the most high-risk, complex and high-profile offenders in the community</li> <li>• enhanced counter terrorism training has been delivered to 4,000 additional frontline staff</li> <li>• enhanced licence conditions were introduced so that all terrorist offenders on licence will be subject to electronic monitoring</li> <li>• physical security was enhanced in 12 Approved Premises</li> <li>• 267 staff were recruited into the counter terrorism sector, largely on the frontline and across a wide range of skills and specialisms</li> </ul>	<p><b>Impact on risk:</b></p> 

**Specific operational issues**

**Topic: Digital and technology – principles 3, 4**


**Risk:** Ageing infrastructure, applications and security impact on HMPPS’ ability to deliver its business objectives

<p><b>Detail:</b></p> <p>MoJ digital and technology supports HMPPS delivery through the functional leadership model. The risks of ageing infrastructure, applications, data and cyber security are the top risks that are being addressed. The work to address these will take several years and include delivery of the prison technology transformation programme and work within the probation programme.</p> <p>The risk of cyber-attack on our IT systems and infrastructure has increased throughout the year due in part to the changing and more challenging worldwide political environment.</p> <p>NOMIS is outdated in terms of the technology, ability to share data and has a very outdated user interface. This presents us with a wide range of risks, issues and impacts. These include cyber risks, the need to double-key and duplications of data impacting negatively on data accuracy and decision making across the organisation, impact on staff morale and retention.</p>	<p><b>Key mitigations:</b></p> <ul style="list-style-type: none"> <li>• A HMPPS digital and technology strategy is in place setting out an agreed roadmap for all this work and how we work together to transparently prioritise the right areas.</li> <li>• Funding was secured and work commenced to deliver new digital services for core legacy applications. An extra £4 million was secured as part of the Spending Review to start removing dependencies on aging applications.</li> <li>• A service board has been established to oversee development of the new IT service and support model.</li> <li>• The NOMIS replacement strategy was developed with funding secured for the replacement portfolio.</li> <li>• A review of existing support arrangements is underway to ensure that we can fully support our legacy and new digital services.</li> </ul>	<p><b>Impact on risk:</b></p> 
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## Specific operational issues

### Topic: COVID-19 – principles 2, 3, 4

**Risk:** HMPPS fails to reduce the impact of COVID-19 on the delivery of services in prisons, the Youth Custody Service and the community

<b>Detail:</b>	<b>Key mitigations:</b>	<b>Impact on risk:</b>
<p>Necessary COVID-19 controls across the prison estate in England and Wales restricted normal operations with detriment to prisoner rehabilitation and wellbeing. While the Omicron variant delayed progression to less restrictions and exit from the COVID-19 prisons national framework, this was achieved on 9 May 2022 as we live with COVID-19. Prison performance will continue recovering throughout 2022/23.</p> <p>COVID-19 has significantly restricted our ability to provide offender management across probation, Approved Premises and Youth Custody.</p> <p>COVID-19 command structures established in March 2020 were maintained with regular review of operational delivery under the COVID-19 prisons national framework and probation COVID-19 exceptional delivery models. Probation national standards replaced exceptional delivery models in January 2022 and the prisons national framework ended in May 2022.</p>	<ul style="list-style-type: none"> <li>• Effective partnership to manage health risks with the Department for Health and Social Care, Public Health England and its successor body UK Health Security Agency, and Public Health Wales.</li> <li>• Effective partnerships with NHS England and Wales to enable their offer of vaccinations to all prisoners in tandem with the general public.</li> <li>• Effective enhanced proactive surveillance and monitoring of organisational resilience to COVID-19 and other concurrent risks.</li> <li>• Effective delivery of operational risk mitigations using system-wide testing of staff and prisoners, wastewater surveillance and ventilation monitoring in prisons.</li> <li>• Supplementing frontline operational staffing resilience through pay incentives, national detached duty, and redeployment of HQ staff.</li> <li>• Strong support for staff and trade union engagement locally and nationally.</li> <li>• Agreement with the judiciary to allow bulk consideration of cases that are beyond the 12-month target.</li> </ul>	<p><b>Impact on risk:</b></p> 

## Information security and assurance

HMPPS is committed to ensuring effective information management and security and is alert to the risks surrounding information assets. The information security team is based in HMPPS, working closely with its MoJ counterparts.

The HMPPS Senior Information Risk Owner (SIRO) continues to form part of the functional and executive agency SIROs board who meet every two months as an information risk and security board. This enables active senior monitoring of the department’s key and crosscutting

security information and personal data risks which have been captured in a departmental-wide information and security risk register. We also hold our own HMPPS risk register, owned by the HMPPS information security team on behalf of the HMPPS SIRO. This board is chaired by the MoJ Director General, Chief Operating Officer, and attended by the department’s data protection officer, chief security officer, chief information security officer and agency SIROs. The board is supported by working groups covering physical, personnel, cyber and data and information security all of which have HMPPS representation again covered by the information security team.

All new SIROs and information asset leads receive training to ensure they are following best practice and Cabinet Office policies. All senior civil servants pay band 1 staff in HQ, governing governors and Probation Service heads are information asset owners and receive guidance and training to support them in their role. A programme of work continues to review and update our security policies and guidance for both technical and general users to ensure they are fit for purpose and align with the existing government functional standards. HMPPS hold their own policies which dovetail into and are used in conjunction with MoJ policies.

The MoJ chief security officer oversees the security and privacy division of the MoJ including HMPPS. The division brings together the data protection, cyber, physical and personnel security teams within the MoJ working alongside the information security team representing HMPPS. This ensures that we are able to meet our data protection and government security obligations as well as reduce cyber threats.

Work to address the risks and challenges of HMPPS' legacy technology and siloed systems continues, with MoJ digital and technology supporting HMPPS delivery through the functional model. During 2021/22, the HMPPS information security team continued to work with stakeholders across HMPPS, MoJ and contracted service providers to promote information assurance policies and compliance, although this continued mostly to be carried out remotely due to COVID-19. Site visits and training restarted towards the end of 2021 and into 2022, with a full

schedule of site visits and training planned for 2022/23. The team also continued to:

- strengthen HMPPS information sharing controls with appropriate agreements in place across the estate
- investigate information security-related incidents when required, as well as acting as the HMPPS liaison with the Information Commissioner's Office on all self-reported serious data breaches
- carry out records management on behalf of the HMPPS estate, working closely with MoJ colleagues, as well as offering specialist information assurance advice to programmes, projects and suppliers of services to HMPPS
- work closely with colleagues in MoJ cyber consultancy to on-board new providers of services, ensuring that any asset used for processing of HMPPS data conforms with all relevant information assurance and cyber controls



## Personal data-related incidents

Three significant personal data-related incidents were reported to the Information Commissioner's Office (ICO) during 2021/22. Two have come back with no further action required and one is still awaiting a response.

Month	Nature of incident	Nature of data involved	Number of people potentially affected	Notification of steps
June 2021 HMP Forest Bank	An offender handed in a book to a member of staff which contained various details of 47 offenders across the establishment, varying from surname and NOMIS number to cell location and risk markers.	Personal identification of offenders	47 offenders	Sodexo have self-reported this incident to the ICO. The ICO have confirmed no further action required.
Oct 2021 HMP Cardiff	A COVID-19 tracker spreadsheet was emailed to all staff at HMP Cardiff, containing personal information about staff and prisoners with regards to positive COVID-19 testing, hospitalisation, systems (including family symptoms), employee numbers and telephone contact numbers.	Personal information including medical	All HMP Cardiff staff and offenders	Self-reported to the ICO. The ICO have confirmed no further action required.
Feb 2022 HMP Rochester	11 unsealed bags of confidential waste were in a room that prisoners were allowed access to.	Personal information including medical	Unknown at present	Self-reported to the ICO. Awaiting response from the ICO.

The ICO issued the MoJ with an enforcement notice on 12 January 2022 as, during COVID-19, MoJ had to change the ways of working in relation to subject access requests (SARs) and as a result, partial responses were sent to offenders. The enforcement notice requires MoJ to respond in full to those offenders in accordance with its legal obligation. The deadline set by the ICO to

clear the backlog of offender SARs and ensure no further backlogs accumulate is 31 December 2022. This is being driven through the offender SAR team, with additional third party support to help process the backlog of historical requests. There is ongoing discussion with the ICO regarding progress in meeting the requirements in the enforcement notice.

## Counter fraud, bribery and corruption activity

HMPPS policy on fraud, bribery and corruption is one of zero tolerance. The MoJ Chief Operating Officer has overall responsibility for counter fraud across the department. The HMPPS Executive Director for Strategy, Planning and Performance is the nominated HMPPS counter fraud champion, supported by the HMPPS counter fraud lead. HMPPS counter fraud activity is aligned with the MoJ counter fraud, bribery and corruption centre of expertise to meet the Cabinet Office counter fraud, bribery and corruption functional standard. HMPPS counter fraud drives a culture of awareness to raise the profile of the threat from fraud, ensures staff know their responsibilities, and provide practical operational support in the event of an incident or report, with advice and guidance to ensure an appropriate response by the most appropriate authority. With the support of dedicated fraud investigators within GIAA, reports of fraud are triaged for referral and investigation by GIAA. A programme of post-event assurance has been established to ensure any additional fraud risks are understood and remedial actions taken where appropriate.


HMPPS counter fraud work is separate but complementary to the work of the HMPPS counter corruption unit. The unit tackles corruption in prisons, probation and youth custody, providing clear guidance and support for anyone in HMPPS who has concerns about wrongdoing or corruption. The unit has

a clear strategy for tackling corruption through four strategic approaches:

- **protect** against corruption by understanding threats, having robust policies, processes and procedures in place and holding ourselves to account
- **prevent** staff from engaging in corruption by recruiting a resilient workforce, strengthening capability and professional integrity and managing corruption risks
- **pursue** and punish those involved in corruption through disciplinary and criminal justice outcomes
- **prepare** for the consequences of corrupt behaviour and support teams where corruption has occurred

The counter corruption and reporting wrongdoing policy framework is supported by the counter corruption handbook and a memorandum of understanding between HMPPS and the National Police Chiefs' Council regarding corruption in prisons and probation. HMPPS defines corruption as a person in a position of authority or trust who abuses their position for benefit or gain for themselves or for another person. In prison and probation services, this would include the misuse of a person's role to plan or commit a criminal act, or a deliberate failure to act to prevent criminal behaviour. HMPPS counter fraud abides by the principles of the government accounting regulations relating to reports of fraud or theft, including reports via the counter corruption unit that meet the criteria, and providing that information to the Cabinet Office counter fraud function and assurances team.

HMPPS are working to strategically align counter fraud with the counter corruption



unit. The vision is that, in line with wider government and the wider functional standard, HMPPS will have one strategic response to counter fraud, bribery and corruption. HMPPS counter fraud, bribery and corruption responsibilities contribute to creating a unified and responsive department collaborating with partners across the justice system and government. It supports HMPPS in creating a whole-system approach to decision making, working with MoJ and its partners in an open and outward-facing way.

## Electronic monitoring investigation by the Serious Fraud Office (SFO)

In late 2013, HMPPS commissioned an internal investigation of the management of electronic monitoring contracts with G4S and Serco. An interim report was published in November 2013. Subsequently, the matter was referred to the SFO. In July 2019, as a result of the investigation, the SFO and Serco Geografix Limited entered into a deferred prosecution agreement in respect of three offences of fraud and two offences of false accounting. In July 2020, the SFO entered into a deferred prosecution agreement with G4S Care and Justice Services in respect of three offences of fraud relating to a scheme to defraud the MoJ in connection with contracts for electronic monitoring of offenders.

On 16 December 2019, the SFO announced that it had charged two former Serco employees with fraud by false representation and false accounting in relation to representations made to the MoJ between 2011 and 2013. The trial

commenced in March 2021. Issues with the prosecution's disclosure process were identified during the trial. The SFO had sought an adjournment to remedy the position so that it could pursue a retrial, but this was rejected by the judge. The prosecution therefore offered no evidence and the judge directed the jury to return verdicts of not guilty on 26 April 2021.

On 8 September 2020 the SFO charged three former executives of G4S Care and Justice Services Limited with multiple offences in relation to a multi-year scheme to defraud the MoJ.

The trial had been due to commence in January 2022. On 21 October 2021, the SFO were successful in their application for an adjournment. The judge confirmed his ruling that the hearing will be adjourned for 12 months and the trial will be rescheduled for January 2023.

## Managing Modern Slavery processes in prisons and probation

As part of continuing wider work across the MoJ to increase awareness, provide training and guidance on modern day slavery and appropriate protections across the organisation, HMPPS has defined senior leader ownership of Modern Slavery obligations in both prisons and probation, with a clear governance structure in place, via the MoJ Modern Slavery working group. MoJ carried out a review to consider how Modern Slavery processes are operating in practice in the adult custodial estate, with a focus on the four main stages of a referral into the National Referral Mechanism (NRM): identification, referral,

notification, and support. The insights gained through this are now forming part of live operational policy considerations within the MoJ and HMPPS. HMPPS has further commissioned a review to consider referrals into the NRM by probation practitioners in the community. Findings from this project will be used by policy colleagues to inform ongoing work to support potential victims of Modern Slavery under probation supervision. HMPPS also has a Modern Slavery and Human Trafficking (MSHT) e-learning package for practitioners working in custodial and community settings. Further detail can be found in the MoJ MDS Statement on [www.gov.uk](http://www.gov.uk)

## Whistleblowing arrangements

HMPPS has a counter corruption and reporting wrongdoing policy, and a pan-ministry raising a concern (including whistleblowing) policy in place. Each has several avenues where staff can raise their concerns about possible wrongdoing or malpractice at work in an appropriate way. In exceptional circumstances, these policies allow staff to contact the independent integrity hotline or one of a number of senior nominated officials outside the usual management line, when staff do not feel able to raise concerns within management line or it is inappropriate to raise with line management. Any member of staff who raises a concern about wrongdoing in good faith, and that they reasonably believe to be true, will be protected from any form of discrimination or victimisation arising from the allegation. The policies provide staff with information on sources of advice and support, such as trade unions, workplace support or

staff networks, and the Civil Service Commission. HMPPS had five cases referred to nominated officials during the reporting period that met the criteria, four of which are ongoing and one closed with no wrongdoing found and being taken forward as part of other aspects being handled under grievance policy. Of the cases that remain ongoing, none have been flagged as a potential breach of the Civil Service Code.

The People Survey results provide a measure of the effectiveness of these policies. Employees are asked to respond to questions including awareness of how to raise a concern and confidence in the investigation process. A comparison of data from the 2021 survey with the previous survey in 2020 indicated that, overall, there is a small decrease in awareness and confidence in these areas. HMPPS will continue to monitor responses on an annual basis and promote routes for staff to raise concerns. In February and September 2021, the cross-government ‘speak up’ campaign was promoted across the department, which aims to build the comfort levels of individuals coming forward with concerns, the credibility of internal reporting routes, and underline the inclusive leadership culture to which the department aspires.

## Environmental sustainability

Governance and assurance of sustainability across MoJ and HMPPS is co-ordinated by MoJ’s climate change and sustainability unit and performance is overseen by MoJ’s senior sustainability board. This year, MoJ has appointed a lead minister for climate change and sustainability matters, as well as an

executive committee champion and a lead non-executive director.

Environmental sustainability has been recognised as an enabler in our Outcome Delivery Plan. Particular areas of focus in 2021/22 included net zero carbon, Greening Government Commitments, biodiversity and embedding sustainability in our processes and governance arrangements.

Our sustainability strategies and policies are published online at GOV.UK. In the last year we have published an updated Sustainable construction: Building Research Establishment Environmental Assessment Method (BREEAM) policy.

During 2021/22 we have:

- developed GGC delivery plans that take HMPPS towards the 2025 GGC targets
- undertaken a climate change risk assessment of the prison and probation estate, and developed an adaptation pathway for prison services
- set out plans for embedding environmental outcomes in our probation reform programme
- developed a nature recovery plan for the estate and operations
- incorporated 10% biodiversity net gain and net zero ready principles in our new prisons programme
- set up two new LED production workshops, creating meaningful work and new skills while also assembling a product that can be used across the prison estate

Looking forward, we will:

- undertake a deep dive review of our climate change and sustainability risks
- develop an approach for implementing the new environmental principles statutory duty when making prison and probation policy
- begin to embed the valuation of carbon emissions, natural capital and the effects of climate change in our investment decision making processes
- continue to develop projects that deliver both improved offender outcomes and environmental recovery, e.g. through our prison tree nurseries and unpaid work partnerships such as with the Canal and River Trust
- aim to cut operational carbon emissions of our new prisons by at least 85% compared to HMP Fosse Way

## Attendance charts

For HMPPS leadership team, agency board and ARAC from 1 April 2021 to 31 March 2022:

Name	Role	HMPPS leadership team	HMPPS agency board
Gerard Lemos	Lead non-executive director	N/A	4 of 4
Alan Hammill	Non-executive director (until 30 June 2021)	N/A	1 of 1
Lesley King-Lewis	Non-executive director	N/A	4 of 4
Heather Savory	Non-executive director (as from 20 May 2021)	N/A	4 of 4
David Bernstein	Non-executive director (as from 20 May 2021)	N/A	4 of 4
Dr Jo Farrar	CEO of HMPPS	45 of 50	4 of 4
Phil Copple	DG Prisons	43 of 50	4 of 4
Amy Rees	DG Probation, Youth and Wales	41 of 50	3 of 4
Helga Swidenbank	Executive Director, Youth Custody Service	41 of 50	3 of 4
Ian Blakeman	Executive Director, Strategy, Planning and Performance	44 of 50	4 of 4
Lorna Maden	MoJ Director, Finance Business Partnering	39 of 50	4 of 4
Dave Mann	MoJ People Group Director, Strategy and Delivery (until 31 January 2022)	36 of 41	1 of 3
Caroline Murray	MoJ People Group Director, HR Business Partnering and People Change (from 1 February 2022)	7 of 9	1 of 1

Name	Role	ARAC
Alan Hammill (until 30 June 2021)	Chair and HMPPS non-executive director	1 of 1
Heather Savory (as from 20 May 2021)	Chair and HMPPS non-executive director	3 of 3
Nick Folland (as from 20 May 2021)	HMPPS non-executive director	3 of 3
Lesley King-Lewis	HMPPS non-executive director	4 of 4
<b>In attendance</b>		
Ian Blakeman	Executive Director, Strategy, Planning and Performance	4 of 4
Dr Jo Farrar	HMPPS Chief Executive Officer	3 of 4
Lorna Maden	MoJ Director, Finance Business Partnering	3 of 4
National Audit Office Representative and Government Internal Audit Agency Representative		4 of 4



## Conclusion

I am satisfied that I have effective governance arrangements and the necessary policies and procedures in place to:

- provide a sound system of internal control to support HMPPS in delivering its statutory duties
- meet the aims and objectives set by ministers while safeguarding the public funds and assets for which I am personally responsible

in accordance with the responsibilities assigned to me in my letter of delegation and in Managing Public Money.

# Statement of Accounting Officer's responsibilities

Under the Government Resources and Accounts Act 2000, HM Treasury has directed HM Prison and Probation Service (HMPPS) to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction.

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of HMPPS and of its income and expenditure, Statement of Financial Position and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the *Government Financial Reporting Manual* and in particular to:

- observe the Accounts Direction issued by HM Treasury including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the accounts;

- prepare the accounts on a going concern basis; and
- confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

The Principal Accounting Officer of the Ministry of Justice has designated the Chief Executive Officer of HMPPS as Accounting Officer.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the assets of HMPPS, are set out in *Managing Public Money* published by HM Treasury.

As the Accounting Officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that HMPPS's auditors are aware of that information.

So far as I am aware, there is no relevant audit information of which the auditors are unaware.



# Remuneration and staff report

## Remuneration policy

The remuneration of senior civil servants is set by the Prime Minister following independent advice from the Review Body on Senior Salaries.

In reaching its recommendations the Review Body is to have regard to the following considerations:

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities
- regional/local variations in labour markets and their effects on the recruitment and retention of staff
- government policies for improving the public services including the requirement on departments to meet the output targets for the delivery of departmental services
- the funds available to departments as set out in the government's departmental expenditure limits
- the government's inflation target

The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations.

Further information about the work of the Review Body on Senior Salaries can be found at: <https://www.gov.uk/government/organisations/review-body-on-senior-salaries>

## Service contracts

The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be made on merit on the basis of fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise.

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commissioners can be found at: <https://civilservicecommission.independent.gov.uk/>

## Remuneration

The following sections provide details of the remuneration and pension interests of the most senior management (that is, core board members) of HMPPS.

### Salary

Salary includes the gross salary, overtime, reserved rights to London weighting or London allowances, recruitment and retention allowances, and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments made by HMPPS and recorded in these accounts.

### Taxable benefits

Taxable benefits include all benefits in kind and taxable cash benefits. The monetary value of benefits in kind covers any benefits provided by HMPPS and treated by HMRC as a taxable emolument. Benefits recognised relate to travel and subsistence. Benefits in kind are an estimate, as the final value is to be agreed between the Secretary of State for Justice and HMRC.

### Bonuses

Directors' bonuses are determined by the MoJ SCS Pay Committees – chaired by the MoJ Permanent Secretary for SCS pay band 1 and SCS pay band 2.

Working within the set parameters for the management of senior level pay, an individual can only be awarded a bonus if they have exceeded at least one finance and efficiency objective.

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonus payments made in 2021/22 are for bonuses awarded in 2020/21. Bonus payments made in 2020/21 are for bonuses awarded in 2019/20.

### Pension benefits

The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increases or decreases due to a transfer of pension rights.

## Total remuneration (audited)

Officials	2021/22				2020/21				
	Total amount of salary and fees £'000	All taxable benefits (to nearest £100)	Bonus payments £'000	Pension related benefits (to nearest £1,000)	Total amount of salary and fees £'000	All taxable benefits (to nearest £100)	Bonus payments £'000	Pension related benefits (to nearest £1,000)	Total £'000
<b>Dr Jo Farrar</b> <sup>1</sup> Chief Executive Officer (until 15 March 2021) Second Permanent Secretary, MoJ and CEO, HMPPS (from 16 March 2021)	160–165	-	-	25,000	185–190	-	10–15	25,000	200–205
<b>Phil Cople</b> Director General, Prisons	150–155	-	10–15	25,000	190–195	-	0–5	66,000	220–225
<b>Amy Rees</b> Director General, Probation and Wales	145–150	1,900	10–15	62,000	220–225	-	10–15	81,000	230–235
<b>James McEwen</b> <sup>2</sup> Director, Finance Strategy, Planning and Performance (until 28 August 2020)	-	-	-	-	-	-	-	20,000	65–70
<b>Lorna Maden</b> <sup>2</sup> MoJ Director, Finance Business Partnering (from 1 September 2020)	110–115	-	0–5	-	110–115	-	0–5	17,000	85–90
<b>Mark Adam</b> <sup>2</sup> Director, MoJ People Group, Strategy and Delivery (until 31 March 2021)	-	-	-	-	-	-	5–10	44,000	165–170

Officials	2021/22				2020/21				
	Total amount of salary and fees of nearest £100	All taxable benefits (to nearest £100)	Bonus payments £'000	Pension related benefits (to nearest £1,000)	Total amount of salary and fees of nearest £'000	All taxable benefits (to nearest £100)	Bonus payments £'000	Pension related benefits (to nearest £1,000)	Total £'000
<b>Dave Mann</b> <sup>2</sup> MoJ People Group Director, Strategy and Delivery (interim) (from 1 April 2021 until 31 January 2022)	75-80 (annualised 95-100)	-	5-10	76,000	160-165	-	-	-	-
<b>Caroline Murray</b> <sup>2</sup> Director, Business Partnering and Change, MoJ People Group (from 1 February 2022)	15-20 (annualised 95-100)	-	-	33,000	45-50	-	-	-	-
<b>Helga Swidenbank</b> Executive Director, Youth Custody Service	115-120	-	-	46,000	160-165	115-120	0-5	46,000	160-165
<b>Ian Blakeman</b> Executive Director, Strategy, Planning and Performance	110-115	11,500	10-15	20,000	155-160	110-115	5-10	56,000	180-185

<sup>1</sup> Dr Jo Farrar is a member of the Partnership pension scheme and as such did not accrue PCSPS pension benefits in 2021/22 and 2020/21. The employer contributions to her Partnership pension account are included in the 'Pension related benefits' column of this table and CETV table below.

<sup>2</sup> The roles of Director, Finance Strategy, Planning and Performance; MoJ Director, Finance Business Partnering; Director, MoJ People Group, Strategy and Delivery; MoJ People Group Director, Strategy and Delivery (interim); Director, MoJ People group, Business Partnering and Change; are part of the MoJ Functional Leadership group and are not included in the staff cost note or staff numbers within the HMPPS accounts but are included in the MoJ accounts. As HMPPS Board members they are included in the Remuneration Report above.

## Compensation for loss of office (audited)

No directors were compensated for loss of office in 2021/22.

## Fair pay disclosures (audited)

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the lower quartile, median and upper quartile remuneration of the organisation's workforce.

### Percentage change from previous year in total salary and bonuses for the highest paid director and the staff average

	2021/22		2020/21	
	Total salary	Bonus payments	Total salary	Bonus payments
Staff average	2%	(94.1)%	10.3%	1904.2%
Highest paid director	(6%)	0%	0%	100%

### Ratio between the highest paid directors' total remuneration and the pay and benefits of employees in the lower quartile, median and upper quartile

	Lower quartile	Median	Upper quartile
2021/22	7.1:1	5.9:1	5.0:1
2020/21	7.6:1	6.3:1	5.3:1

### Lower quartile, median and upper quartile for staff pay for salaries and total pay and benefits

	Lower quartile		Median		Upper quartile	
	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21
Salary component of total pay and benefits	21,547	20,887	24,689	24,402	31,649	31,649
Total pay and benefits	23,749	23,205	28,200	28,200	33,545	33,517

The banded remuneration of the highest-paid director in HMPPS in 2021/22 was £165k-170k (2020/21: £175k-£180k). This was 5.9 times (2020/21: 6.3) the median remuneration of the workforce, which was £28,200 (2020/21, £28,200).

In 2021/22, 4 (2020/21: 1) employees received remuneration in excess of the highest-paid director. Remuneration ranged from £15,000-£20,000 to £200,000-£205,000 (2020/21: £15,000-£20,000 to £185,000-£190,000).

Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

In 2021/22, a one year pay deal was implemented for HMPPS employees. The Probation Service pay award applies to former National Probation Service (NPS) staff with effect from 1 April 2021, following approval from Cabinet office and HM Treasury. The Prison Service pay award was implemented for 2021/22 on the recommendations

of the Prison Service Pay Review Body (PSPRB) with effect from 1 April 2021, following approval from HM Treasury and Ministers. The implementation of the pay award in 2021/22 increased average staff remuneration and reduced the ratio between the highest paid directors' remuneration and the staff lower quartile, median and upper quartile. The impact of the pay award was offset by the reduction in COVID-19 allowances in 2021/22 therefore reducing the overall increase in average staff remuneration. There has been no change in the total pay and benefits median due to the majority of ex-CRC staff joining on the median band which increased the overall number of employees on this annual salary.

The unusually large increase in staff average bonus payments in 2020/21 from the prior year was due to the introduction of COVID-19 related bonuses. This bonus scheme was no longer applicable in 2021/22, resulting in the subsequent year on year decrease of 94.1%.

The banded remuneration of the highest paid director reduced in 2021/22 due to a lower basic salary in 2021/22.

## Non-executive directors' remuneration (audited)

	2021/22			2020/21		
	Fees (excluding bonuses paid) £'000	All taxable benefits (to nearest £100)	Bonus payments £'000	Fees (excluding bonuses paid) £'000	All taxable benefits (to nearest £100)	Bonus payments £'000
<b>Gerard Lemos</b> Lead non-executive director	15–20	-	-	15–20	-	-
<b>Alan Hammill</b> Non-executive director (until 30 June 2021)	0–5 (10–15 annualised)	-	-	10–15	-	-
<b>Lesley King-Lewis</b> Non-executive director	10–15	-	-	10–15	-	-
<b>David Bernstein</b> Non-executive director (from 20 May 2021)	10–15 (10–15 annualised)	-	-	-	-	-
<b>Heather Savory</b> Non-executive director (from 20 May 2021)	10–15 (10–15 annualised)	-	-	-	-	-

Gerard Lemos chaired the HMPPS Agency Board meetings.

## Pension benefits (audited)

### Cash Equivalent Transfer Value

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of them buying their own additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction in benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

### Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension benefit due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.



Officials	Accrued pension at pension age as at 31/3/22 and related lump sum	Real increase in pension age and related lump sum at pension age	CETV at 31/3/22	CETV at 31/3/21	Real increase in CETV	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	Nearest £100
<b>Dr Jo Farrar</b> <sup>1</sup> Chief Executive Officer (until 15 March 2021) Second Permanent Secretary, MoJ and CEO, HMPPS (from 16 March 2021)	N/A	N/A	N/A	N/A	N/A	25,100
<b>Phil Cople</b> Director General, Prisons	70-75 plus a lump sum of 140-145	0-2.5 plus a lump sum of 0	1,262	1,118	3	N/A
<b>Amy Rees</b> Director General, Probation and Wales	50-55 plus a lump sum of 5-10	2.5-5 plus a lump sum of 0-2.5	664	601	25	N/A
<b>Lorna Maden</b> MoJ Director, Finance Business Partnering (from 1 September 2020)	35-40 plus a lump sum of 110-115	0-2.5 plus a lump sum of 0-2.5	896	882	(2)	N/A
<b>Dave Mann</b> MoJ People Group Director, Strategy and Delivery (interim) (from 1 April 2021 to 31 January 2022)	50-55 plus a lump sum of 110-115	2.5-5 plus a lump sum of 5-7.5	1,016	903	63	N/A
<b>Caroline Murray</b> <sup>6</sup> Director, Business Partnering and Change, MoJ People Group (from 1 February 2022)	40-45 plus a lump sum of 85-90	0-2.5 plus a lump sum of 2.5-5	790	737	28	N/A
<b>Helga Swidenbank</b> Executive Director Youth Custody Service	5-10	2.5-5	124	87	26	N/A
<b>Ian Blakeman</b> Executive Director, Strategy, Planning and Performance (from 14 March 2020)	55-60 plus a lump sum of 120-125	0-2.5 plus a lump sum of 0	1,146	1,081	4	N/A

<sup>1</sup> Dr Jo Farrar is a member of the Partnership pension scheme. No PCSPS pension benefits were accrued in 2021/22 (2020/21: nil).

There were no employer contributions to the Local Government Pension Scheme (LGPS) in relation to HMPPS directors.

## Civil Service Pensions

Pension benefits are provided to employees of HMPPS (excluding Local Government Pension Scheme (LGPS) members) through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis with a normal pension age equal to the member’s State Pension Age (or 65 if higher).

From that date all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: three providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

These statutory arrangements are unfunded, with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with pensions increase legislation.

Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 switched into alpha between 1 June 2015 and 1 February 2022.

Following the Government’s response to the McCloud Consultation in February 2021, eligible members who were in the legacy pension scheme on 31 March 2012 and were employed in either the legacy or reformed scheme from 1 April 2015 will have a “deferred choice underpin” at the point of retirement to decide whether the legacy or reformed pension scheme is more beneficial for the period of service employed during the remedy period of 1 April 2015 to 31 March 2022 (including those with a qualifying break in service of less than 5 years). Those who have already retired will be offered a choice as soon as practicable after necessary legislative and process changes can be made.

All members who switch to alpha have their PCSPS benefits ‘banked’, with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted show pension earned in PCSPS or alpha – as appropriate. Where the member has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.) Since October 2002 new joiners have been able to opt for either the appropriate defined benefit arrangement or a ‘money purchase’ stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 4.6% and 8.05% for members of classic, premium, classic plus, nuvos and alpha.

Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement.

For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium.

In nuvos a member builds up a pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with pensions' increase legislation.

Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution).

Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. (The pension figures quoted for officials show pension earned in PCS or alpha – as appropriate. Where the official has benefits in both the PCS and alpha the figure quoted is the combined value of their benefits in the two schemes but note that part of that pension may be payable from different ages.)

Further details about the Civil Service pension arrangements can be found at the website [www.civilservicepensionscheme.org.uk](http://www.civilservicepensionscheme.org.uk)

### **Local Government Pension Scheme**

The scheme is administered under the Local Government Pension Scheme (LGPS) 2014. Under the LGPS 2014 scheme the pension added for each member, each year, is based on 1/49th of their earnings (1/98th if opted to be a member of the 50/50 section of the scheme). The individual pension accounts will then be increased each year by the Consumer Price Index up to retirement. Repeating this calculation for each year of membership provides what is known as a Career Average Revalued Earnings (CARE) pension.

This is a change from the LGPS 2008 scheme, under which benefits accrue at the rate of 1/60th of the pensionable salary for service from 1 April 2008 with no automatic lump sum. For pensionable service up to 31 March 2008, benefits accrued at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to 3/80th of final pay of every year of total membership is payable on retirement.

For the 12 months to 31 March 2022, HMPPS paid employers' pension contributions of £337.2 million to the PCSPS and £145.6 million to GMPF (LGPS). Further details of these schemes and related costs and liabilities are in Note 18 to the accounts.

## Staff costs, numbers and composition

The following sections are included to satisfy parliamentary reporting and accountability requirements.

### Staff costs (audited)

	2021/22	2020/21
	£'000	£'000
Permanent staff – wages and salaries	1,870,650	1,741,644
Permanent staff – social security costs	190,311	184,484
Permanent staff – pension costs	597,768	457,934
Agency staff costs	49,967	48,865
Departures and severance payments	15,179	8,630
Inward secondments	16,943	15,394
<b>Sub-total</b>	<b>2,740,818</b>	<b>2,456,951</b>
Recoveries in respect of outward secondments	(7,084)	(6,230)
<b>Total net costs</b>	<b>2,733,734</b>	<b>2,450,721</b>

### Pension costs (audited)

Details of pension costs and liabilities are in Note 18 to the accounts.

### Consultancy costs

Expenditure on consultancy was £5.0 million in 2021/22 (2020/21: £6.2 million).

### Senior Civil Service (SCS) salaries

The following table shows the number of substantive SCS staff employed by HMPPS by pay range. Salary ranges represent full-time equivalent rates, and bonuses are not included.

Salary band	31 March 2022		31 March 2021	
	Number	Percentage	Number	Percentage
£70,000–£79,999	12	14%	14	17%
£80,000–£89,999	16	19%	11	13%
£90,000–£99,999	17	20%	17	20%
£100,000–£109,999	28	34%	28	33%
£110,000–£119,999	7	9%	8	10%
£120,000–£129,999	1	1%	3	4%
£130,000–£139,999	-	-	-	-
£140,000–£149,999	1	1%	1	1%
£150,000–£159,999	1	1%	1	1%
£160,000–£169,999	1	1%	1	1%
<b>Total</b>	<b>84</b>	<b>100%</b>	<b>84</b>	<b>100%</b>

### Staff numbers (audited)

The average number of full-time equivalent persons, including senior management, employed during the year was as follows:


	2021/22			2020/21		
	Permanently employed staff	Other	Total	Permanently employed staff	Other	Total
Directly employed	57,012	-	57,012	50,480	-	50,480
Staff engaged on capital projects	-	145	145	-	89	89
Other	-	866	866	-	897	897
<b>Total</b>	<b>57,012</b>	<b>1,011</b>	<b>58,023</b>	<b>50,480</b>	<b>986</b>	<b>51,466</b>

As part of the Probation Reform Programme 6,339 FTE staff from the Community Rehabilitation Companies, their parent organisations and supply chain, transferred into HMPPS in June 2021.

### Reporting of Civil Service and other compensation schemes – exit packages (audited)

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Where HMPPS has agreed early retirements, the additional costs are met by HMPPS and not by the Principal Civil Service Pension Scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table below.

Exit package cost and band	2021/22				2020/21				
	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	-	102	102	-	142	142	-	142	142
£10,001-£25,000	-	70	70	-	83	83	-	83	83
£25,001-£50,000	-	84	84	-	122	122	-	122	122
£50,001-£100,000	-	105	105	-	98	98	-	98	98
£100,001-£150,000	-	22	22	-	6	6	-	6	6
£150,001-£200,000	-	8	8	-	-	-	-	-	-
£200,001-£250,000	-	2	2	-	-	-	-	-	-
£250,001-£300,000	-	1	1	-	-	-	-	-	-
<b>Total number of exit packages</b>	<b>-</b>	<b>394</b>	<b>394</b>	<b>-</b>	<b>451</b>	<b>451</b>	<b>-</b>	<b>451</b>	<b>451</b>
<b>Total cost of exit packages (£'000)</b>	<b>-</b>	<b>16,606</b>	<b>16,606</b>	<b>-</b>	<b>13,351</b>	<b>13,351</b>	<b>-</b>	<b>13,351</b>	<b>13,351</b>



Exit costs are accounted for in full within departures and severance costs above in the year in which the exit package is confirmed. These costs reflect an element of pension costs which crystallise on confirmation of departure.

In 2021/22, the figures include the costs of 62 departures (of which 34 relate to confirmed exits with leaving dates in 2022/23) for HMPPS staff members leaving under the Probation Service voluntary departure scheme. These exits relate to staff who are members of the Local Government Pension Scheme, a funded scheme, and therefore result in additional costs. In the interests of transparency, the figures within the above table include the strain costs payable by HMPPS which are additional pension costs payable where an individual is retiring before normal pension age with no reduction to their pension.

The overall costs of these departures (including strain cost) sit within payment bands of £0 to £300,000. With strain costs excluded these payments are within bands of £0 to £150,000.

In 2020/21 there were 5 departures of HMPPS staff members leaving under MoJ voluntary early departure schemes. The costs for these schemes were accounted for by MoJ in their accounts.

Included within 'other departures agreed' above in the year to 31 March 2022 are 332 efficiency departure exit packages at a value of £10.9 million, within payment bands £0 to £150,000. In 2020/21, there were 446 efficiency departure exit packages at a value of £12.9 million, within payment bands £0 to £150,000. Efficiency departures are authorised in the interests of the continued efficiency of the service and the wellbeing of the individual, under section 6.3 of the Civil Service Management Code.

## Staff diversity

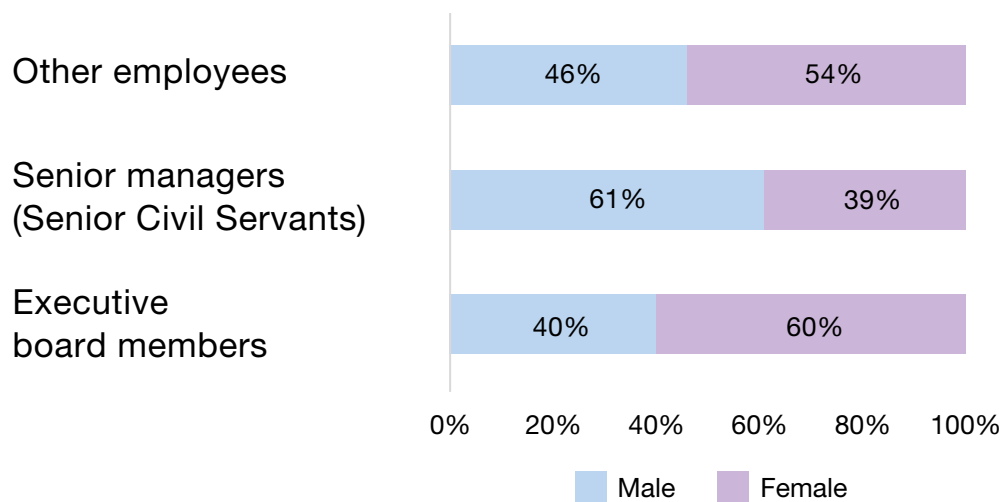
### Staff composition data

As at 31 March 2022 the breakdown of employees was as follows:

	Male	Female	Total
Other employees	28,773 (46%)	33,208 (54%)	61,981
Senior managers (Senior Civil Servants)	48 (61%)	31 (39%)	79
Executive board members	2 (40%)	3 (60%)	5
<b>Total</b>	<b>28,823</b>	<b>33,242</b>	<b>62,065</b>

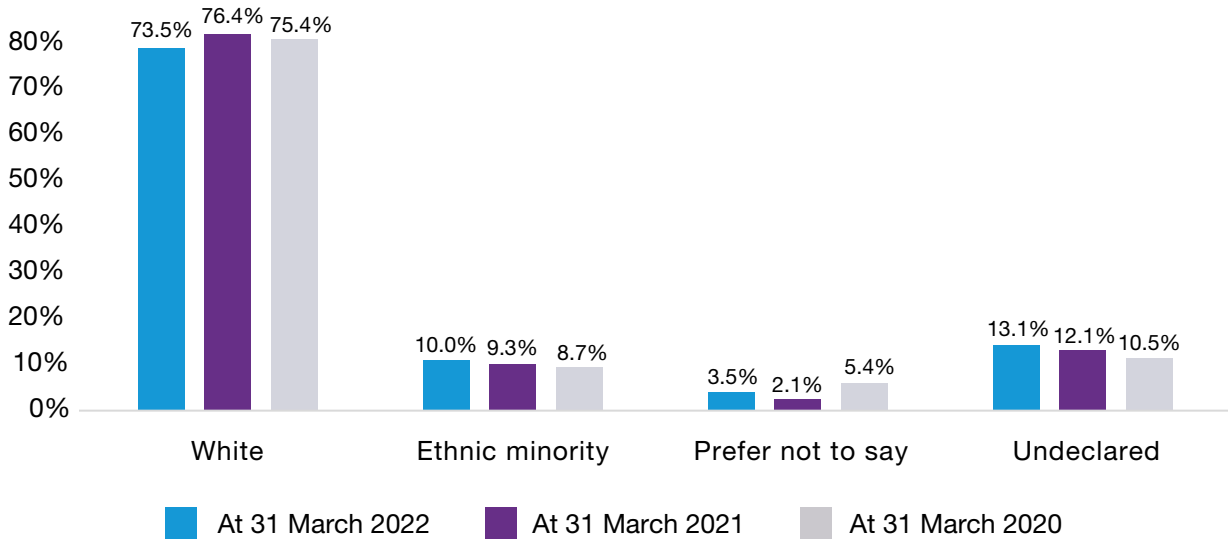
Senior Civil Servants includes substantive grades only

### Breakdown of employees by gender

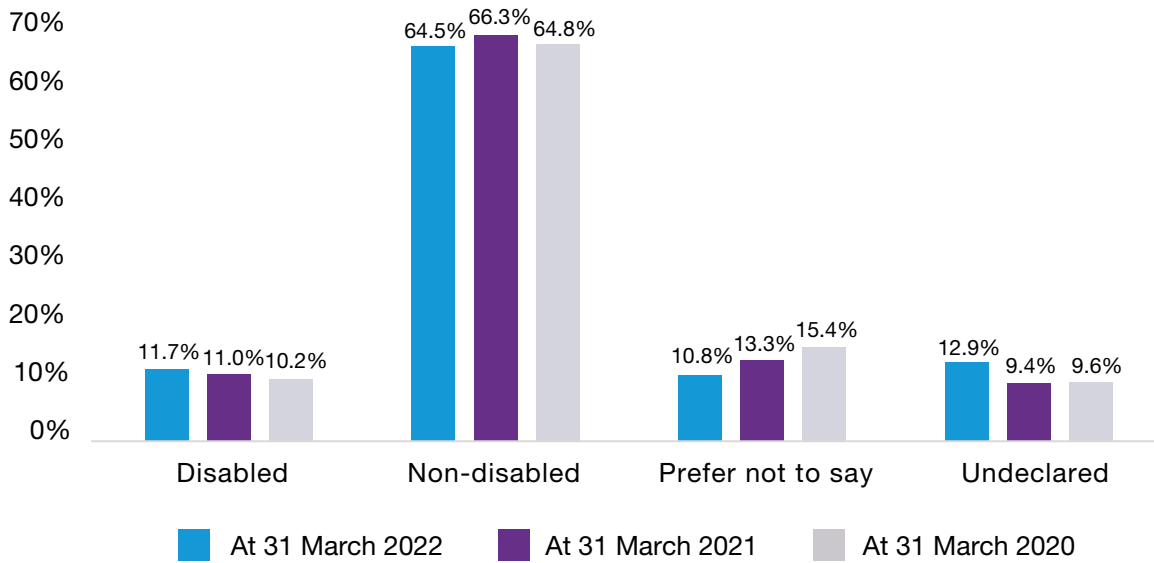




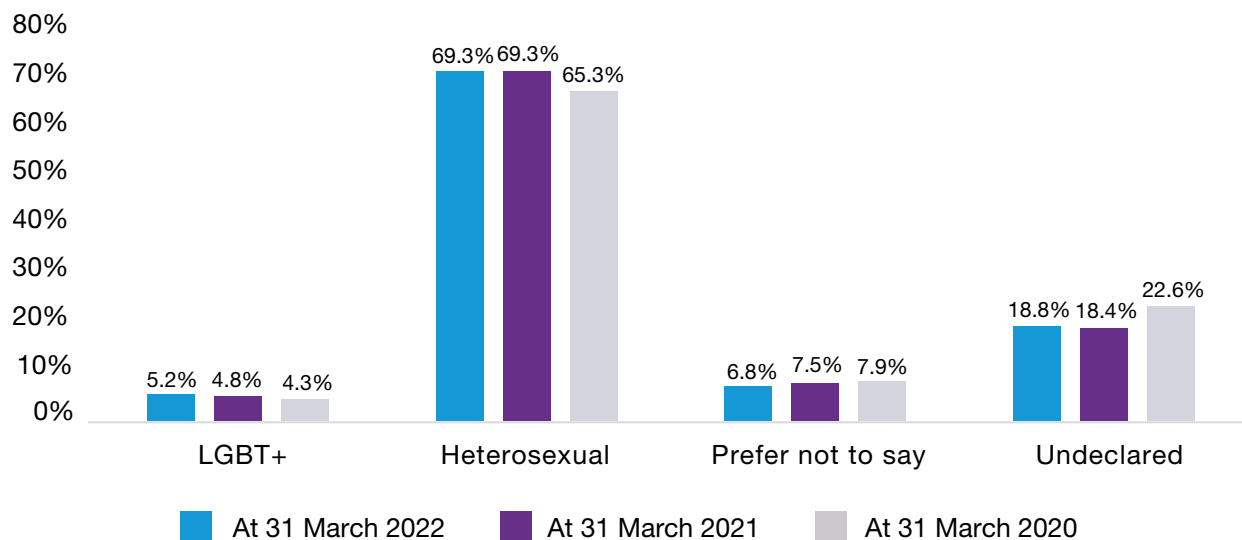
### Breakdown of employees in post by declared ethnicity



### Breakdown of employees in post by declared disability



## Breakdown of employees in post by declared sexual orientation



HMPPS is committed to fairness, treating staff properly and ensuring equality of opportunity, building a diverse and inclusive organisation that fosters a sense of community and belonging amongst all staff, prisoners, children and people on probation. We will ensure that this is at the forefront of our organisational ethos, creating an inclusive culture that ensures our staff, those in custody and on probation feel a true sense of belonging and inclusion, are empowered to speak-out, be heard, contribute and achieve their full potential. This commitment is underpinned by our responsibilities under the Public Sector Equality Duty as contained in the Equality Act 2010.

We have made steady progress under our HMPPS Diversity Inclusion and Belonging Roadmap Equality Strategy 2021/22:

- We have set out Diversity and Inclusion expectations set within Business Planning Guidance.
- We have developed a Refreshed Policy Framework – Advancing Diversity and Inclusion for HMPPS staff developed following extensive consultation, to be launched in 2022.

- We have continued to deliver our successful ‘Let’s Talk’ programme – team-led conversations throughout the year where everyone can talk openly in a safe space around issues of inclusivity and diversity such as race, disability, LGBT+ and allyship.
- The Race Action Programme has launched the Race Allyship Charter and there are more than 1,000 allies across HMPPS. The programme completed an extensive review of learning and development which will feature in the Diversity and Inclusion Catalogue which will be published before the end of 2022. We have also trialled the use of inclusive policy making which we will scale up throughout 2022/23.
- Our Tackling Unacceptable Behaviours Unit (TUBU) helpline has supported 311 callers and TUBU delivered 31 Mediation sessions.
- We have developed and launched a new approach to LGBT+ Benchmarking and completed self-assessments.

- We have delivered a range of diversity campaigns and listening events across all protected characteristics including Black History Month, Disability, LGBT+ and Age.

We are proud of all our achievements and we will continue to build on these to advance our diversity and inclusion agenda over the coming year as we recover from the coronavirus pandemic.

The 2021/22 Diversity and Inclusion Roadmap was successful in delivering D&I priorities covering both workforce and operational deliverables. Successes involved collaboration across the agency, the department and wider stakeholders. The new 2022/23 Roadmap continues this collaboration across a broad family of D&I activity, including the Race Action Programme, Tackling Unacceptable Behaviours Unit, and work around People, Culture, Strategy and Planning seeking to embed acceptance that working towards an inclusive culture is all our responsibility. We will continue to provide our staff with the support, training and professional development they need to become the role models of the inclusive environment we want to create. To help us, we have launched the Diversity and Inclusion Learning and Development project which will enable us to align HMPPS priorities and the HMPPS diversity and inclusion strategy, as well as the mainstreaming and harmonisation of all training and resources. To complement this, the Race Action Programme have designed and will pilot cultural intelligence training for staff. The programme will continue to roll out safe spaces for staff, those in prison, those on probation and children.

## Disability

HMPPS remains committed to creating an inclusive work environment and culture, where all staff feel like they belong. We have continued to target outreach at under-represented groups including people with disabilities and/or health conditions, maintaining a robust talent management and succession planning strategy and building staff capacity.

We have worked to encourage staff self-declaration rates to enable reporting on protected characteristics. The response rate in relation to disability has increased from below the 60% minimum reporting threshold at which meaningful representation rates can be considered, to 77.3%, enabling us to report on disability (Annual Staff Equalities Report 2020/21).

As part of our continued commitment to being a workplace that values everyone we continue to work within Disability Confident Leader Accreditation, signalling to our people and others our commitment to disabled staff, people in our care and visitors.

As part of the Disability Confident Leader Accreditation, no applicants applying internally or externally for roles will be discriminated against – applying anonymised recruitment across the business. We ensure that all applicants follow the same application process. All applicants have the option to declare if they have a health condition and/or disability, and have the option to outline what reasonable adjustments they may require to support them through the recruitment process. A range of adjustments can be considered, such

as additional time for tests or interviews, or providing a guaranteed interview to those who meet the basic requirements. To support this approach, we have developed a guide for vacancy managers which aims to help and guide recruiters through these processes. We will also continue to upskill vacancy managers to ensure they align to our Disability Confident processes.

As part of the offer to our staff we launched the HMPPS Workplace Adjustments Service on 1 April 2021 - this support provides reasonable adjustments to disabled staff in line with the provisions of the Equality Act 2010. The service provides in-house tailored advice and guidance to HMPPS staff and managers to support with putting in place the required workplace adjustments, or removing barriers or disadvantages for disabled staff, to enable them to do their jobs and fulfil their potential. This includes both staff who were disabled when they joined HMPPS and those who may become disabled during the course of employment. It also provides staff and line managers access to online disability and workplace adjustment training.

We have focussed in early 2022 on ensuring that staff across HMPPS are aware of the changes to provision in relation to Access to Work and to ensuring that both resources and accessible information were in place to ensure smooth transition from Access to Work for those staff affected. We have published the HMPPS People Plan, which outlines our aim to “Deliver a Wellbeing strategy that focuses on mental health, physical health, financial wellbeing and a safe and healthy workplace.” We have established a HMPPS disability steering group chaired

by the HMPPS senior disability champion and are developing a HMPPS Disability Plan which will aim to improve outcomes for disabled staff. We continue to work with our disabled staff network DAWN (Disability Advocacy Wellbeing Network) to ensure that the voices of those with disabilities are at the heart of our decisions and we will establish a critical friend group to scrutinise the work of the Disability Steering Group. We are also working closely with the MoJ Disability Action Group to address specific issues, including an approach for neurodiverse staff and improving knowledge and understanding in relation to workplace adjustments.

#### **Sickness absence data**

In the year ended 31 March 2022, HMPPS staff lost an average of 13.8 working days to sickness absence (2020/21: 11.4 days). This includes sickness absence resulting from COVID-19.

#### **Staff turnover and departmental turnover**

In 2021/22, HMPPS staff turnover was 11.9% (2020/21: 7.7%) and department turnover was 12.8% (2020/21: 8.5%). Transfers within the Civil Service are not included in HMPPS staff turnover but are included within department turnover.

The department continues to monitor turnover rates and support initiatives to maintain a healthy level of turnover.

The annual Civil Service People Survey, coupled with other research, helps us to understand our people’s experience of working in MoJ and take appropriate action to improve effectiveness, including where turnover becomes problematic.

## Communications and employee involvement

Communicating and engaging with our internal and external audiences has remained a top priority as we have managed the impact of the COVID-19 pandemic and plan for the future.

The HMPPS Communications team has provided a core service to the agency by producing and supporting communications activity on a wide variety of subjects.

Information is provided in a timely, clear, accessible way to support busy front-line staff working in probation, prisons and the Youth Custody Service.

Communications are also delivered to prisoners, people on probation, families and our partners and stakeholders. We use a variety of channels for this, including social media and gov.uk.

Messages are tailored for each audience and shared in the most effective way, using a variety of internal and external channels, as appropriate.

We have also continued to work closely with partners such as National Prison Radio, Wayout TV and prison newspaper Inside Time, to continue to inform and engage with prisoners.

Important areas of work over the 2021/22 year include:

- Supporting the wider agency in providing COVID-19 messaging for staff, prisoners and children in custody and their families, people on probation, stakeholders and partners
- Managing a high volume of operational communications, ensuring all our

audiences were kept informed of the changing positions throughout the pandemic. This has required communications to remain agile and responsive throughout the year

- Maintaining up to date information on the impact of the pandemic through the HMPPS intranet, Prison Finder pages, gov.uk and social media channels
- Using our established Recovery Independent Advisory Forum to ensure key partners remain engaged and able to discuss issues of importance with HMPPS senior leaders
- Keeping families of people in prison informed and engaged via gov.uk, social media and through our family service provider partners
- Providing clear COVID-19 recovery communications and describing how the agency will continue to deliver against its strategic purpose and priorities following changes in the restrictions imposed under the pandemic
- Explaining the Prisons White Paper to key audiences and launching the Transforming Delivery in Prisons portfolio
- Supporting the communications of harmonisation of policies and processes across our newly reunified probation service
- Producing regular, well-executed engagement and communications campaigns linked to key strategic priorities running throughout the year, for example on well-being, diversity and inclusion, learning and development and sustainability
- Working to continually improve our channels and products, including initiating a project which will replace the existing HMPPS intranet and

provide users with significantly better experience and enable more user interaction

- Promoting our Diversity and Inclusion Strategy and the Race Action Programme, and highlighting the work of the Tackling Unacceptable Behaviours Unit
- Promoting wellbeing support for our staff and people in prison or on probation and ensuring that the routes to support are signposted
- Running social media campaigns to highlight the excellent work taking place in HMPPS, including unpaid work, electronic monitoring and reducing reoffending
- Providing training and support for social media account users across prison and probation to help enable them to connect with their audiences more effectively
- Delivering a series of in-person and virtual events for operational staff and senior leaders

The Employee Engagement Index fell from 62% in 2020 to 59% in 2021. In 2021 all nine Core Theme scores fell below those in 2020.

### Staff Wellbeing

The HMPPS People Plan established a people sub-committee (PSC) to oversee delivery and set the strategic direction. The plan sets out five areas to help us to grow as an organisation and enable people to be their best.

The HMPPS Wellbeing Group supports PSC in its leadership and management of the People Plan objective “Promoting wellbeing for everyone” by driving Wellbeing across HMPPS and promoting the wellbeing support available to staff.

Reflective Sessions, offering bespoke support for Governors, commenced in January 2021. Uptake remains strong, with 93% of Governors routinely engaged. In October 2021 Regional Probation Directors were offered a bespoke version of the service and work is ongoing to expand the offer to other senior roles within prisons.

The sessions focus on preventative and proactive care, providing a confidential space to discuss the challenges of being a senior leader and assist with navigating the more emotionally demanding parts with a view to reduce potential burnout and mental health related absence.

‘Reflective Sessions’ for all prison staff continue to be available and promoted. All prisons have access to centrally funded group sessions to break down the stigma of talking about the challenges of prison work among peers.

Optima Health have created a Workplace Wellbeing platform to share relevant information to support staff health and wellbeing. Quick links to commonly used websites are included and it can be saved to the desktop or downloaded as an app to a mobile phone.

A new OH service, Post COVID Syndrome support (Long COVID) commenced in April 2021 for line managers to refer employees with post COVID-19 symptoms (12 weeks and over). The service includes an initial assessment with the clinical assessment team and onward referral to specialists or support services with interim check points with an occupational clinician.

Active Health Monitoring, a proactive self-referral programme, has also been

introduced. Accessed directly by staff with specific high risk COVID-19 health concerns (diabetes, asthma, obesity), the service aims to identify the most appropriate pathway for support and to enable staff to access preventative and supportive interventions to help minimise the severity of COVID-19 beyond vaccination.

A revised Post Incident Care Policy Framework and User Guide was published in January 2022. The guidance provides information on the HMPPS Occupational Health (OH) and Employee Assistance Programme (EAP) services as well as details of the peer support in place, including Care Teams, TRiM (Trauma Risk Management) teams and Mental Health Allies.

TRiM has now been rolled out nationally and all prisons have a TRiM team in place. The trained practitioners offer on-site support to help staff understand the symptoms of post-traumatic stress and offer practical self-management and signposting advice. There are over 2,000 practitioners trained nationally to offer colleagues one-to-one confidential support with follow-up checks.

Over 1,000 Mental Health Allies (MHAs) have been recruited across HMPPS. These are staff volunteers who have been trained to support staff and managers. They offer confidential support, raise awareness and challenge the stigma surrounding mental health.

During the pandemic a national network of regional Prison Staff Support Leads was established. They act as a single point of contact in the region and connect

local services to form a strong support network for individuals. They join up local staff support teams such as Care Teams, MHAs, Chaplaincy, TRiM, HR wellbeing leads and wellbeing champions to ensure prison staff have access to support.

### **HMPPS recognised trade union relationships**

HMPPS recognises ten trade unions. For prisons, Youth Custody Service and HQ, these are the Prison Officers Association (POA), Prison Governors Association (PGA) and NTUS (comprising PCS, UNITE, FDA, PROSPECT and GMB). For the Probation Service, these are the National Association of Probation Officers (NAPO), GMB Society of Chief Officers of Probation (SCOOP) and Unison. During the pandemic, through the use of a bespoke COVID-19 trade union engagement framework, the co-operation and support of the trade unions for the leadership decisions that had to be made was positive and strong. The focus of engagement with all these recognised trade unions during 2022/23 will now be on living with COVID-19, recovery, and regime and service delivery in prisons and probation respectively. It remains critical that these relationships and levels of engagement continue at both a national and local level to ensure that alongside these priorities, we are able to progress our future reform priorities. A key focus for all trade unions in 2022 is that of pay. Prison trade unions engaged in the Prison Service Pay Review Body process with an award now announced. We have also negotiated, and agreed via ballot, a multi-year pay deal with the Probation Service recognised trade unions.

## Talent management

Leadership, Talent and Capability's vision is a MoJ where leaders inspire; talent is nurtured; diversity is celebrated; and everyone is enabled to make a difference. The team aim to inspire and empower every individual to fulfil their potential. Through the delivery of high quality, high impact programmes and assessments, individual and organisational capability is stretched to create a healthy pipeline of future leaders and promote a culture of continuous improvement and growth.

Throughout 2022/23 the Leadership, Talent and Capability team will design, develop, and curate a variety of leadership learning which will ensure people of all grades, backgrounds, abilities, and identities are equipped to become leaders of the future. Our offer includes:

### Existing Leadership, Talent and Capability Offer:

- Leadership Development for Governors and SCS – monthly SCS and Governor Masterclasses focusing on key topics and challenges in this space
- Leadership Development for all grades – Grow Your Leadership has been developed to ensure that regular optional learning is available to all and not only for those who are successful in applying for programmes (such as Leadership School)
- Coaching, mentoring and sponsorship for all grades, with unique opportunities such as Thrive and Luminare (linked to the Race Action Plan) aiming to develop colleagues specifically from an ethnic minority background to improve the diverse representation of people
- We continue to support the Unlocked

Graduate Programme for graduate entry prison officers

- The Leadership School – a twice per year leadership residential event for 200 leaders on each
- Leadership professional accreditations and qualifications – Apprenticeships and Cambridge Masters in Applied Criminology
- Programmes for new and experienced line managers – First Line Managers Core and Middle Line Leaders

### Learning opportunities currently in pilot:

- Bespoke HMPPS Leadership Development – Leadership Journey Routes 1 & 2 – Leadership Journey Route 1 Pilot, currently running in the North East, will deliver focused development opportunities across 13 sites. This will include traditional Horizontal (by grade) sessions alongside Vertical (in team) workshops and bite-sized online content. Leadership Journey Route 2 is specifically for prison establishments who have the greatest staff retention challenges and provide Vertical (in team) sessions to consider leadership and agree top priorities for that site in order to have the maximum impact on improving retention
- Our SPARK (pilot) continues to run successfully and supports custodial Bands 3/4 to progress to a Band 7/8 Head of Function position. Many of the candidates have recently completed their Custodial Manager assessment and will move to their Head of Function placement for the final year of the scheme. Following the success of this pilot, plans are underway to commence further cohorts, with a proposal going to People Sub Committee,



recommending a cohort start in early 2023

### **New development opportunities (currently in development):**

- Justice Leaders Scheme – a pan-HMPPS fast-track offer that accredits the candidates to be able to take senior operational roles across Prison, Probation and YCS. Candidates have been selected to join this scheme which will commence in January 2023. The learning provider for the PQiP qualification, masters element of the programme and immersive learning experience that commences the programme have been selected and are currently working on pulling the content together
- MoJ Managers Handbook to provide a consistent 'pack' of information to managers across the organisation

### **New development opportunities to be worked on before the end of the year – pilots in 23/24.**

- IGNITE – open to internal and external candidates aimed at developing a talent pool who can quickly be developed into our top leaders
- Continuation of parts 1 (performance leadership) and 3 (reflective leadership) of Senior Leaders Programme (internal development)

The LTC Team continue to create a compelling learning offer that inspires leaders at all levels, whether new to role (Train), experienced in role (Perform) or seeking progression in MoJ (Stretch).

The learning offer will also support the 70:20:10 approach to development, where 70% of learning is through experiences (i.e. on the job learning), 20% is learnt through others (i.e. shadowing, coaching) and 10 % through formal methods (i.e. a workshop / programme). The team works in collaboration with learning leads across MoJ to identify new opportunities to upskill our workforce, to ensure that the department has the skills, behaviours and leadership qualities it needs to deliver a world class justice system.

### **Off-payroll engagements**

During the financial year 2021/22, HMPPS has reviewed off-payroll engagements where we are required to consider intermediaries (IR35) legislation using HMRC's guidance and online status indicator. We have advised our contracting body of the outcome of the status determinations so that, where appropriate, tax deductions are made at the source from payments made in respect of the engagement with HMPPS. Further details of off-payroll engagements are shown in the off-payroll tables in the MoJ Group ARA 2021/22.

An MoJ-wide review of contracted-out service contracts was carried out in the current financial year and a small number of these were identified as including elements of resource. Contracted out service arrangements operating with resource elements may lead to a liability for employment taxes and VAT where this has been recovered in error.

# Parliamentary accountability

The following sections are included to satisfy parliamentary reporting and accountability requirements and are subject to audit.

## Losses and special payments

The following losses and special payments are included within the Statement of Comprehensive Net Expenditure on page 128:

	2021/22		2020/21	
	Cases	£'000	Cases	£'000
Cash losses	228	54	311	281
Losses of accountable stores	16,648	2,184	17,343	2,215
Fruitless payments and constructive losses	3	6,841	5	127,458
Claims waived or abandoned	55	176	107	2,614
Administrative write-offs	-	-	-	-
<b>Losses statement</b>	<b>16,934</b>	<b>9,255</b>	<b>17,766</b>	<b>132,568</b>
Special payments to staff	681	9,453	597	9,876
Special payments to offenders	5,714	13,507	6,844	16,100
Special payments to third parties	282	1,962	241	7,194
<b>Special payments</b>	<b>6,677</b>	<b>24,922</b>	<b>7,682</b>	<b>33,170</b>

In 2021/22 HMPPS made three (2020/21: six) loss payments over £300,000, which are detailed here.

There was one constructive loss amounting to £485k:

£485k loss due to excess PPE (personal protective equipment) resulting from a significant reduction in the need for PPE due to a change in UK Health Security Agency (previously Public Health England) guidelines, which was bought as part

of the fight against the spread of the COVID-19 infection.

There were two fruitless payments amounting to £6.4m:

In November 2021, management took the decision to terminate early its contract for the operational management of Rainsbrook Secure Training Centre following openly reported safety concerns, resulting in a loss of £5.7m. This consists of £4.7m for payments made to Management & Training Corporation

Limited (MTC) to cover costs incurred prior to termination, and £1m for contract breakage paid to MTC.

£681k for contract breakage payments made due to the management decision to discontinue the Electronic Monitoring legacy programme, based on three months of service cost which was an obligation in its contract with a sub-contractor in the event of early termination. This is the final payment arising from the decision in 2020/21 to cancel a case management system for Electronic Monitoring which gave rise to a loss in that year.

In 2021/22 HMPPS made six (2020/21: ten) special payments over £300,000, which were: five compensation payments made to operational members of HMPPS staff injured in the course of their duties: £610,863; £490,907; £410,000; £409,734; £350,548 and one to a 3rd Party: £325,000.

### **Remote contingent liabilities**

As required by Managing Public Money, in addition to contingent liabilities disclosed in accordance with IAS 37 in Note 17 to the Accounts, HMPPS discloses, for parliamentary reporting and accountability purposes, certain statutory and non-statutory contingent liabilities where the likelihood of transfer of economic benefit is remote.

HMPPS has the following remote contingent liabilities:

- the Secretary of State for Justice has provided a guarantee to the GMPF in respect of the Commissioned Rehabilitative Services' participation in the GMPF for pension liabilities that transferred to the CRS's

- the responsibility for funding the past service liabilities associated with the original employees who are deferred or pensioner members of the LGPS transferred to HMPPS under the Secretary of State for Justice

The Secretary of State for Justice has also given the following assurance to Heathrow Airport Holdings Limited and other third parties (for example, airlines) that may be affected by our operations. This assurance covers the following amounts:

- up to £50 million for damage or injury per incident to third parties caused airside in the event of negligence by HMPPS
- up to £250 million for damage or injury to third parties per incident in the event of negligence by HMPPS while on board an aeroplane
- personal accident and/or sickness for HMPPS staff while on escorting duties

The likelihood of a liability arising from these contingencies is considered to be remote.

HMPPS would be liable as underwriter of last resort to meet losses incurred by the privately managed prisons.



### **Amy Rees**

Chief Executive Officer,  
HM Prison and Probation Service

12 December 2022

# The certificate and report of the Comptroller and Auditor General to the House of Commons

## Opinion on financial statements

I certify that I have audited the financial statements of His Majesty's Prison and Probation Service (HMPPS) for the year ended 31 March 2022 under the Government Resources and Accounts Act 2000.

The financial statements comprise: HMPPS's

- Statement of Financial Position as at 31 March 2022;
- Statement of Comprehensive Net Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of HMPPS's financial statements is applicable law and UK adopted international accounting standards.

In my opinion, the financial statements:

- give a true and fair view of the state of HMPPS's affairs as at 31 March 2022 and its net expenditure for the year then ended; and

- have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

## Opinion on regularity

In my opinion, in all material respects, the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

## Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and Practice Note 10 *Audit of Financial Statements of Public Sector Entities in the United Kingdom*. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's *Revised Ethical Standard 2019*. I have also elected to apply the ethical standards relevant to listed entities. I am independent of HMPPS in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

## Conclusions relating to going concern

In auditing the financial statements, I have concluded that HMPPS's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on HMPPS's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for HMPPS is adopted in consideration of the requirements set out in HM Treasury's

Government Financial Reporting Manual, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements where it is anticipated that the services which they provide will continue into the future.

## Other Information

The other information comprises information included in the Annual Report, but does not include the financial statements nor my auditor's certificate and report. The Accounting Officer is responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

## Opinion on other matters

In my opinion the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000.

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the Accountability Report subject to audit have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

## Matters on which I report by exception

In the light of the knowledge and understanding of HMPPS and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability Reports.

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- I have not received all of the information and explanations I require for my audit; or
- adequate accounting records have not been kept by HMPPS or returns adequate for my audit have not been

received from branches not visited by my staff; or

- the financial statements and the parts of the Accountability Report subject to audit are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual have not been made or parts of the Remuneration and Staff Report to be audited is not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

## Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Chief Executive Officer as Accounting Officer is responsible for:

- maintaining proper accounting records;
- the preparation of the financial statements and Annual Report in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- ensuring that the Annual Report and accounts as a whole is fair, balanced and understandable;
- internal controls as the Chief Executive Officer as Accounting Officer determines is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error; and
- assessing HMPPS's ability to continue as a going concern, disclosing, as applicable, matters related to going

concern and using the going concern basis of accounting unless the Chief Executive Officer as Accounting Officer anticipates that the services provided by HMPPS will not continue to be provided in the future.

## Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

### Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-

compliance with laws and regulations, including fraud is detailed below.

### Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, we considered the following:

- the nature of the sector, control environment and operational performance including the design of HMPPS's accounting policies.
- Inquiring of management, HMPPS and those charged with governance, including obtaining and reviewing supporting documentation relating to HMPPS's policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including HMPPS's controls relating to HMPPS's compliance with the Government Resources and Accounts Act 2000 and Managing Public Money;
- discussing among the engagement team and involving relevant internal and external specialists, including valuation of the prison estate and defined benefit liability, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within HMPPS for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, valuation of provisions, valuation of the prison estate and valuation of the net defined benefit pension liability. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override of controls.

I also obtained an understanding of HMPPS's framework of authority as well as other legal and regulatory frameworks in which HMPPS operates, focusing on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of HMPPS. The key laws and regulations I considered in this context included Government Resources and Accounts Act 2000, Managing Public Money, employment law and tax legislation.

#### **Audit response to identified risk**

As a result of performing the above, the procedures I implemented to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- enquiring of management, the Audit and Risk Committee concerning actual and potential litigation and claims;
- reading and reviewing minutes of meetings of those charged with

governance and the Board and internal audit reports; and

- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my certificate.

#### **Other auditor's responsibilities**

I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.





## Report

I have no observations to make on these financial statements.

### **Gareth Davies**

Comptroller and Auditor General

13 December 2022

National Audit Office  
157–197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP

# Financial statements



## Statement of Comprehensive Net Expenditure

For the period ended 31 March 2022

	Notes	£'000	2021/22 £'000	2020/21 £'000
Income from contracts with customers	3a	(237,183)		(195,145)
Other operating income	3b	(44,992)		(41,402)
<b>Total operating income</b>			<b>(282,175)</b>	<b>(236,547)</b>
Staff costs	4a	2,733,734		2,450,721
Purchase of goods and services	4b	2,244,393		2,467,577
Depreciation, amortisation and impairment charges	4c	440,897		356,202
Notional expenditure	4d	379,398		326,635
<b>Total operating expenditure</b>			<b>5,798,422</b>	<b>5,601,135</b>
<b>Net operating expenditure</b>			<b>5,516,247</b>	<b>5,364,588</b>
Finance expense	4e	65,106		46,178
<b>Net expenditure for the year</b>			<b>5,581,353</b>	<b>5,410,766</b>

## Other Comprehensive Expenditure

For the period ended 31 March 2022

Items which will not be reclassified to net operating expenditure:	Notes	£'000	2021/22 £'000	2020/21 £'000
Net (gain)/loss on revaluation of property, plant and equipment	5	(460,393)		105,728
Net (gain)/loss on revaluation of intangible assets	6	490		(1,131)
Net (gain)/loss on revaluation of assets held for sale	8	23		1,358
Net (gain)/loss on revaluation of Right of Use Assets (ROU)	7	587		-
Remeasurement of net pension liabilities (gain)/loss	18	(950,558)		704,781
<b>Total comprehensive expenditure</b>			<b>4,171,502</b>	<b>6,221,502</b>

The Notes on pages 133 to 180 form part of these accounts

## Statement of Financial Position

At 31 March 2022

	Notes	31 March 2022		31 March 2021	
		£'000	£'000	£'000	£'000
<b>Non-current assets</b>					
Property, plant and equipment	5	9,281,716		8,427,212	
Intangible assets	6	37,545		41,569	
Right of use assets	7	132,202		-	
Investments		381		641	
<b>Total non-current assets</b>			<b>9,451,844</b>		<b>8,469,422</b>
<b>Current assets</b>					
Assets held for sale	8	6,174		9,107	
Inventories	9	55,089		54,792	
Trade and other receivables	10	176,228		156,488	
Cash and cash equivalents	11	29,283		31,157	
<b>Total current assets</b>			<b>266,774</b>		<b>251,544</b>
<b>Total assets</b>			<b>9,718,618</b>		<b>8,720,966</b>
<b>Current liabilities</b>					
Trade and other payables	12a	(823,451)		(787,855)	
Financial liabilities	14b	(29,540)		(24,623)	
Lease liabilities	7	(18,742)		-	
Provisions	13	(24,395)		(35,246)	
<b>Total current liabilities</b>			<b>(896,128)</b>		<b>(847,724)</b>
<b>Non-current assets less net current liabilities</b>			<b>8,822,490</b>		<b>7,873,242</b>
<b>Non-current liabilities</b>					
Trade and other payables	12b	(499)		(910)	
Financial liabilities	14b	(228,342)		(211,734)	
Lease liabilities	7	(91,664)		-	
Provisions	13	(251,396)		(235,130)	
Pension deficit liability	18b	(1,630,843)		(2,410,011)	
<b>Total non-current liabilities</b>			<b>(2,202,744)</b>		<b>(2,857,785)</b>
<b>Assets less liabilities</b>			<b>6,619,746</b>		<b>5,015,457</b>
<b>Taxpayers' equity</b>					
General Fund			3,556,498		2,300,357
Revaluation Reserve			3,063,248		2,715,100
<b>Total taxpayers' equity</b>			<b>6,619,746</b>		<b>5,015,457</b>

The Notes on pages 133 to 180 form part of these accounts

*A. Rees*

**Amy Rees**

Chief Executive Officer, HM Prison and Probation Service

12 December 2022

## Statement of Cash Flows

For the period ended 31 March 2022

	Notes	£'000	2021/22 £'000	2020/21 £'000
<b>Cash flows from operating activities</b>				
Net expenditure		(5,581,353)		(5,410,766)
Adjustments for non-cash transactions		702,753		648,343
Adjustment for notional transactions with MoJ group		160,877		97,839
Adjustment for pension contributions paid less service costs	18	122,010		29,432
(Decrease) / increase in trade and other receivables:	10	(19,740)		72,227
Less: Impairments in trade and other receivables	4c	1,282		(1,248)
(Increase)/decrease in inventories	9	(297)		3,824
Decrease in trade and other payables	12a, 12b	35,463		158,537
(Decrease) in capital payables		(11,893)		(63,446)
Less: Payments of amounts due to the Consolidated Fund to MoJ		-		-
Utilisation of provisions	13	(27,627)		(35,060)
<b>Net cash outflow from operating activities</b>			<b>(4,618,525)</b>	<b>(4,500,318)</b>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment		(807,137)		(661,507)
New PFI liabilities in year		41,538		55,707
Purchase of intangibles	6	(2,196)		-
Proceeds on disposal of property, plant and equipment		269		63
Proceeds on disposal of assets held for sale		1,062		2,237
Proceeds on disposal of investments		-		-
<b>Net cash outflow from investing activities</b>			<b>(766,464)</b>	<b>(603,500)</b>
<b>Cash flow from financing activities</b>				
Net funding received from MoJ		5,293,000		5,138,000
Payments to MoJ of amounts due to the Consolidated Fund		-		-
Repayments of Local Authority loans	12b	(278)		-
Capital element of payments in respect of finance leases and on-balance sheet (SoFP) PFI contracts		(20,013)		(18,679)
Movement in lease liabilities	7	110,406		-

	Notes	£'000	2021/22 £'000	£'000	2020/21 £'000
<b>Net financing</b>			<b>5,383,115</b>		<b>5,119,321</b>
<b>Net (decrease) / increase in cash and cash equivalents in the period</b>			<b>(1,874)</b>		<b>15,503</b>
Cash and cash equivalents at the beginning of the period	11	31,157		15,654	
Cash and cash equivalents at the end of the period	11	29,283		31,157	
<b>(Decrease) / increase in cash and cash equivalents</b>			<b>(1,874)</b>		<b>15,503</b>

The Notes on pages 133 to 180 form part of these accounts

## Statement of Changes in Taxpayers' Equity

For the period ended 31 March 2022

	Notes	General Fund £'000	Revaluation Reserve £'000	Total Reserves £'000
<b>Balance at 1 April 2020</b>		<b>2,770,006</b>	<b>2,926,300</b>	<b>5,696,306</b>
<b>Changes in taxpayers' equity for 2020/21</b>				
Net expenditure for the year to 31 March 2021		(5,410,766)	-	<b>(5,410,766)</b>
<b>Net gain/(loss) on revaluation of:</b>				
Property, plant and equipment		-	(105,728)	<b>(105,728)</b>
Intangible assets		-	1,131	<b>1,131</b>
Assets held for sale		-	(1,358)	<b>(1,358)</b>
Release of reserves to the General Fund		105,245	(105,245)	-
Remeasurement of net pension liabilities	18	(704,781)	-	<b>(704,781)</b>
Funding from the MoJ		5,138,000	-	<b>5,138,000</b>
Settlement of transactions with MoJ		141,796	-	<b>141,796</b>
<b>Notional items:</b>				
Auditor's remuneration	4d	320	-	<b>320</b>
Notional element of MoJ overhead recharges		260,537	-	<b>260,537</b>
<b>Balance at 31 March 2021</b>		<b>2,300,357</b>	<b>2,715,100</b>	<b>5,015,457</b>
<b>Changes in taxpayers' equity for 2021/22</b>				
Net expenditure for the year to 31 March 2022		(5,581,353)	-	<b>(5,581,353)</b>
<b>Net gain/(loss) on revaluation of:</b>				
Property, plant and equipment		-	455,242	<b>455,242</b>
Intangible assets		-	4,053	<b>4,053</b>
Right of use assets		-	-	-
Assets held for sale		-	-	-
Release of reserves to the general fund		111,147	(111,147)	-
Remeasurement of net pension liabilities	18	950,558	-	<b>950,558</b>
Funding from the MoJ		5,293,000	-	<b>5,293,000</b>
Settlement of transactions with MoJ		170,296	-	<b>170,296</b>
<b>Notional items:</b>				
Auditor's remuneration	4d	330	-	<b>330</b>
Notional element of MoJ overhead recharges		312,163	-	<b>312,163</b>
<b>Balance at 31 March 2022</b>		<b>3,556,498</b>	<b>3,063,248</b>	<b>6,619,746</b>

The Notes on pages 133 to 180 form part of these accounts

# Notes to the accounts

## 1. Statement of Accounting Policies

### 1.1 Basis of preparation

The accounts have been prepared in accordance with the Government Financial Reporting Manual (FReM) 2021/22 issued by HM Treasury. The accounting policies contained in the FReM follow International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

Where the FReM permits a choice of accounting policy, the policy which has been judged to be the most appropriate to the particular circumstances of HM Prison and Probation Service (HMPPS, or 'the Agency') for the purpose of giving a true and fair view has been selected. The particular accounting policies adopted by HMPPS are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

The functional and presentational currency of HMPPS is the British pound sterling (£).

### 1.2 Accounting convention

These accounts have been prepared on an accruals basis under the historical cost convention, modified to account for the revaluation of non-current assets, assets held for sale, inventories and financial assets, where material.

### 1.3 Changes in accounting policy and disclosures

#### a) Changes in accounting policies and new and amended standards adopted

IFRS 16 Leases is due for adoption across government bodies reporting under the FReM from 1 April 2022, however HMT has permitted HMPPS to early adopt the standard from 1 April 2021, in these accounts. IFRS 16 introduces a single lease accounting model that requires a lessee to recognise assets and liabilities for all leases, with some exemptions below. This replaces the previous standard, IAS 17 Leases. Further details are disclosed at Note 1.10.

#### b) New standards, amendments and interpretations issued, but not effective, for the financial year beginning 1 April 2021, and not adopted early

*IFRS 17 Insurance Contracts* requires a discounted cash flow approach to accounting for insurance contracts. The EU adopted the standard in November 2021, but the Financial Reporting Advisory Board has agreed to delay the mandatory adoption of the standard until 2025/26. It should be included in the 2025/26 FReM at the earliest. Early adoption of IFRS 17 may be permitted on a case-by-case basis as agreed with Treasury. To assess the impact of the standard, HMPPS will review contracts which meet the definition of insurance contracts. The overall impact of IFRS 17 on the Financial Statements is hard to determine at this stage, but there



is a possibility that a number of contingent or unrecognised liabilities might need to be brought onto the Statement of Financial Position.

HMPPS does not consider that any other new, or revised standard, or interpretation will have a material impact.

### **c) Changes in presentation and reclassifications**

There have been no changes to presentation or reclassifications in 2021/22. Changes required to reflect the revised structure of HMPPS have been made to the Statement of Operating Costs by Operating Segment (Note 2) and the 2020/21 Statement has been restated for comparability.

### **1.4 Going concern**

HMPPS is an Executive Agency of the Ministry of Justice (MoJ). The future financing of HMPPS's activities is expected to be met by the MoJ from supply funding, which is voted annually under the relevant Appropriation Act.

### **1.5 Operating income**

Operating income is generated directly from the operating activities of HMPPS and is recognised as revenue in the Statement of Comprehensive Net Expenditure (SoCNE) in accordance with IFRS 15. Revenue is recognised when a performance obligation included within an agreement with a customer is satisfied, at the transaction price allocated to that performance obligation.

A large proportion of operating income relates to grant funding from the European Social Fund, and the recharge of expenditure to other government

departments, particularly healthcare funding and immigration removal centres.

Healthcare funding is recognised on an accruals basis. Establishments log healthcare activity (medical escorts and bedwatches), which is used as the basis for raising invoices with standard 30-day payment terms.

The recharge of expenditure for immigration removal centres is also recognised on an accruals basis. The cost of running them, including head office support costs, is recharged under a service level agreement, whereby the costs are recharged based on management accounts information and an agreed rate for each prison bed used in the year.

Another significant element of operating income comes from retail sales in prison shops, where the income is recognised on the exchange of goods.

Operating income is stated net of VAT. Further information can be found in Note 3.

Supply funding drawn down from the department is treated as financing and credited directly to the General Fund in line with the FReM.

### **1.6 Purchases of goods and services**

Purchases of goods and services are recognised on an accruals basis. Accrued expenditure is recognised when HMPPS has an unconditional obligation to pay customers, and is based on agreed amounts, contractually or by another form of mutual agreement.

## 1.7 Staff costs

Staff costs are recognised as expenses on an accruals basis when HMPPS has an unconditional contractual obligation to pay them.

## 1.8 Notional costs

Notional costs comprise statutory auditors' remuneration, which represents the National Audit Office's cost for the audit of HMPPS's accounts, and notional costs for HMPPS's usage of corporate services provided by MoJ. Such notional costs are credited directly to the General Fund. The majority of the notional recharge costs relate to IT services, HR services, estates costs, and shared services processing charges that are centrally managed by the department on behalf of HMPPS.

## 1.9 Property, plant and equipment, and Intangible assets

### Initial recognition and capitalisation threshold

Property, plant and equipment, and intangible assets, including subsequent expenditure on existing assets, are initially recognised at cost. The threshold for capitalising individual assets is £10,000 (including irrecoverable VAT).

Significant purchases of assets which are separately beneath the capitalisation threshold, in connection with a single project, are treated as a grouped asset, with a capitalisation threshold of £1 million (including irrecoverable VAT).

Intangible assets are recognised if it is probable that future service potential will flow to HMPPS and the cost can be measured reliably. Intangible assets comprise software developed

by third parties, including MoJ, and software licences.

### Assets under construction

Assets under construction are valued at historic cost within property, plant and equipment and intangible assets. The assets are not subject to depreciation until completion, when the carrying value is transferred to the respective asset category. Expenditure is capitalised where it is directly attributable to bringing an asset into working condition, such as external consultant costs, relevant employee costs and an appropriate portion of relevant overheads.

### Subsequent valuation

Subsequent to initial recognition, property, plant and equipment, and intangible assets are carried at fair value.

Land and buildings (including dwellings) are recorded at fair value, as interpreted by the FReM, on the basis of professional valuations, which are conducted for each property at least once every five years. Full professional valuations are undertaken by the Valuation Office Agency, an independent body, using Royal Institution of Chartered Surveyors (RICS) Valuation – Professional Standards, known as the Red Book. In between full valuations, carrying values are adjusted by the application of indices or through desktop valuations. In 2021/22, 25% of the valuations were physical.

Freehold prison buildings and secure training centres are classified as specialised buildings which cannot be sold on the open market. Specialised properties are valued and carried at depreciated replacement cost to a modern equivalent basis in accordance

with the Red Book, adjusted for functional obsolescence.

Assets which were recently held for their service potential but are now surplus are valued at current value in existing use where there are restrictions on HMPPS or the asset, which would prevent access to the market at the reporting date. Otherwise, surplus assets are valued at fair value in accordance with IFRS 13 Fair Value Measurement.

In determining whether a non-operational asset is surplus, HMPPS assesses whether there is a clear plan to bring the asset back into use as an operational asset. Where there is a clear plan, the asset is not considered as surplus and is maintained at current value in existing use. Otherwise, the asset is assessed as being surplus and valued at fair value under IFRS 13 Fair Value Measurement.

Farms and surplus freehold land, prison officers' quarters and some other non-specialised buildings are carried at open market valuations.

Non-property assets are recorded at cost on purchase and restated at each reporting date using the Producer Price Index published by the Office for National Statistics.

Subsequent to initial recognition, intangible assets are recognised at fair value. As no active market exists for the intangible assets held by HMPPS, fair value is assessed as the revalued amount less accumulated amortisation and impairment losses. Intangible assets are revalued at each reporting date using the Services Producer Price Index published by the Office for National Statistics.

### **Fair value hierarchy and inputs**

The valuation technique applied to all fair value figures of surplus, non-operating properties, is the market approach in accordance with IFRS 13 Fair Value Measurement; it uses prices and other relevant information generated by market transactions involving identical or comparable (that is, similar) assets.

The inputs to this technique constitute level 2 inputs in each instance. Level 2 inputs are inputs that are observable for the asset, either directly or indirectly. The inputs used take the form of analysed and weighted market evidence such as sales, rentals and yields in respect of comparable properties in the same or similar locations at or around the valuation date.

For other property assets in continuing use, fair value is interpreted as market value or 'value in use'. In the Red Book this is defined as "market value on the assumption that property is sold as part of the continuing enterprise in occupation". The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential, which can be assumed to be at least equal to the cost of replacing that service potential.

Depreciated historical cost is used as a proxy for fair value for those assets with short useful lives or low values, as allowed by the FReM.

### **Revaluation**

Gains arising on revaluation are credited to the Revaluation Reserve and shown in Other Comprehensive Expenditure, unless they reverse a revaluation decrease on the same asset. Reversals are credited to the SoCNE to the extent of the previous

amount expensed, and any excess is credited to the Revaluation Reserve.

A revaluation decrease (other than as a result of a permanent diminution) is reversed against any existing amount held in the Revaluation Reserve in respect of that same asset, with any residual decrease taken to net operating costs in the SoCNE.

Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the SoCNE and depreciation based on the asset's original cost is transferred from the Revaluation Reserve to the General Fund.

### Depreciation and amortisation

Depreciation and amortisation are charged on a straight-line basis at rates calculated to write off the value of assets less estimated residual value evenly over their estimated useful lives. Useful lives are reviewed annually. Where a change to the life of an asset or asset category is determined, depreciation is charged on a straight-line basis over the assessed remaining life. Depreciation commences in the month of acquisition for all non-current assets.

If an asset comprises two or more significant components, with substantially different useful lives, then each component is treated separately for depreciation purposes and depreciated over its individual useful life. Estimated useful asset lives are within the following ranges:

Freehold land	Not depreciated
Freehold buildings including dwellings	Shorter of remaining life or up to 60 years (up to 55 years for dwellings) depending on building
Leasehold buildings including dwellings	Shorter of remaining life, remaining lease period or up to 50 years (up to 55 years for dwellings)
Information technology Plant and equipment Furniture, fixtures and fittings	3 to 15 years depending on individual asset type
Vehicles	5 to 15 years depending on individual asset type
Intangible assets – software	3 to 10 years
Intangible assets – licences	Length of the licence

## 1.10 Leases

Government bodies typically lease properties used for administrative purposes for reasons of efficiency and flexibility. HMPPS also benefits from the lease of land under leases with peppercorn consideration, which could not have been obtained through outright purchase. For other types of asset, HMPPS determines whether to lease or purchase based on value for money considerations, such as whether the underlying asset is required for its entire life or for a more limited period.

IFRS 16 Leases is due for adoption across government bodies reporting under the FReM from 1 April 2022, however HMT have permitted HMPPS to early adopt the standard from 1 April 2021, in these accounts. IFRS 16 introduces a single lease accounting model that requires a lessee to recognise assets and liabilities for all leases (apart from the exemptions listed below).

### Scope and exclusions – HMPPS as lessee

In accordance with IFRS 16 Leases, contracts, or parts of contracts, that convey the right to control the use of an asset for a period of time are accounted for as leases.

Contracts for services are evaluated to determine whether they convey the right to control the use of an identified asset, incorporating both the right to obtain substantially all the economic benefits from the asset and to direct its use. If so, the relevant part of the contract is treated as a lease.

As adapted by the FReM, IFRS 16 has been applied to leases with nil or nominal

(that is, significantly below market value) consideration and arrangements for accommodation between government departments.

When making the above assessments, HMPPS excludes two types of leases. Firstly, those relating to low value items, which it considers as those where the underlying asset would have a cost of less than £10,000 when new, provided those items are not highly dependent on or integrated with other items. Secondly, contracts whose term (comprising the non-cancellable period together with any extension options HMPPS is reasonably certain to exercise and any termination options HMPPS is reasonably certain not to exercise) is less than twelve months.

### Initial recognition – HMPPS as lessee

At the commencement of a lease (or on the date of transition to IFRS 16, if later), HMPPS recognises a right of use asset and a lease liability.

The lease liability is measured at the value of the remaining lease payments, discounted either by the interest rate implicit in the lease or, where this is not readily determinable, HMPPS's incremental rate of borrowing. This rate is advised annually by HM Treasury (0.91% for leases recognised in 2021, 0.95% for those in 2022). Where the lease includes extension or termination options, the lease payments will be for the non-cancellable period together with any extension options HMPPS is reasonably certain to exercise and any termination options HMPPS is reasonably certain not to exercise.

In the event that a lease contract has expired, but HMPPS remains in

occupation pending negotiations for a renewed term, the lease term has been measured as the estimated time until the new contract will be agreed.

The measurement of lease payments excludes any VAT payable, and irrecoverable VAT is expensed at the point it falls due in line with IFRIC 21 Levies.

The right of use asset is measured at the value of the lease liability, adjusted for: any lease payments made before the commencement date; any lease incentives received; any incremental costs of obtaining the lease; and any costs of removing the asset and restoring the site at the end of the lease. However, where the lease requires nil or nominal consideration (usually referred to as a 'peppercorn' lease), the asset will instead be measured at its existing use value, with the difference between the carrying amount of the right of use asset and lease liability treated as notional income (or on transition, a credit to the General Fund).

Enhancements to leased assets such as alterations to a leased building are not classified within right of use assets but remain classified as property, plant and equipment in accordance with the FReM.

### **Subsequent measurement – HMPPS as lessee**

After initial recognition, the right of use asset will be measured using the fair value model. HMPPS considers that the cost model (measurement by reference to the lease liability) is a reasonable proxy for fair value in the case of non-property leases, and for property leases of less than five years or with regular rent reviews. For other leases, the asset will be carried at a revalued amount.

The value of the asset will be adjusted for subsequent depreciation and impairment, and for reassessments and modifications of the lease liability as described below. Where the amount of a reduction to the asset exceeds the carrying value of the asset, the excess amount is recognised in expenditure.

The lease liability will be adjusted for the accrual of interest, repayments, reassessments and modifications. Reassessments are reappraisals of the probability of the options given by the existing lease contract, for example where we no longer expect to exercise an option; modifications are changes to the lease contract. Reassessments and modifications are accounted for by discounting the revised cash flows: using a revised discount rate where HMPPS becomes or ceases to be reasonably certain to exercise or not exercise an extension or termination option, or the lease is modified to amend the non-cancellable period, change the term of the lease, change the consideration or the scope; or at the existing discount rate where there is a movement in an index or rate that will alter the cash flows, or the amount payable under a residual value guarantee changes.

Expenditure for each financial year includes interest on the lease liability and a straight-line depreciation charge on the right of use asset over the life of the lease, together with any impairment of the right of use asset and any change in variable lease payments that was not included in the measurement of the lease payments during the period in which the triggering event occurred. Rental payments in respect of leases of low value items, or

with a term under twelve months, are also expensed.

### **Transitional arrangements**

We have applied a number of options and practical expedients on initial adoption of IFRS 16, these being principally mandated by the FReM.

IFRS 16 has been adopted retrospectively using the 'cumulative catch-up' approach, without restatement of comparative balances. Consequently, the financial statements for 2020/21 have been prepared in accordance with the previous standard, IAS 17 Leases.

There has been no reassessment of existing contracts that the agency had previously assessed as containing or not containing a lease. However, new contracts will be classified according to the criteria given in IFRS 16.

For leases previously treated as operating leases, the right of use assets have been measured at the present value of the remaining lease payments, adjusted for any prepayment or accrual balances in respect of the lease payments. HMPPS has used hindsight in determining the remaining term of leases and no adjustment has been made for leases whose term ends within twelve months of the date of first adoption.

For leases previously recognised as finance leases, the carrying amount of the lease liability and the right of use asset as at the date of first adoption are the respective carrying amounts of the lease liability and leased asset as determined immediately before that date, in accordance with IAS 17.

Where an arrangement previously treated as an operating lease is found to be a finance lease, it has been treated as a new lease, commencing on the date of first adoption.

In addition, HMPPS has adopted the following practical expedient:

For leases that were previously onerous and provided for, HMPPS has taken the practical expedient of adjusting the right of use asset by the amount of that provision. Leased assets that are deemed surplus continue to be treated as such, with no right of use asset recognised.

### **Estimates and judgements**

Where a lease is embedded in a contract for services, the amount to be recognised as the right of use asset and lease liability should be the stand-alone price of the lease component only. Where this is not readily observable, a determination will be made by reference for other observable data, such as the fair value of similar assets or price of contracts for similar non-lease components.

As discussed above, HMPPS has determined the lease term by assessing the level of certainty as to whether termination or extension options will be exercised. In making these judgements, reliance has been placed on the professional judgement of estates staff, supported by information on corporate asset management plans, other business strategies, investment already made in the underlying asset, ongoing business needs and market conditions.

HMPPS has determined that the cost model is a reasonable proxy for fair value in most cases, because the rents payable

are aligned to open market rates. In the case of longer leases where there are not regular rent reviews, there is a greater chance of divergence between cost and fair value, hence a professional revaluation is appropriate.

HMPPS leases various non-property assets such as vehicles and IT equipment. It has determined that, at the present time, all non-property leases which are not individually low value, are immaterial. Consequently, no non-property leases have been recognised in these accounts.

### **1.11 Non-current assets held for sale**

Non-current assets are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction, and a sale is considered highly probable. Property assets held for sale are stated at the lower of carrying amount immediately prior to classification as held for sale and their fair value less the costs of selling the asset. Any subsequent impairment or reversal of impairment is recognised in the SoCNE. Non-current assets classified as held for sale are not depreciated.

Gains and losses on disposal of non-current assets are determined by comparing the proceeds with the carrying amount and are recognised in the SoCNE. When revalued assets are sold, the amounts included in the Revaluation Reserve are transferred to the General Fund

### **1.12 Impairment**

At each reporting date, HMPPS assesses all assets for indications of impairment. If any such indications exist, the assets in question are tested for impairment by comparing the carrying value of those

assets with their recoverable amounts. If the recoverable amount of an asset is less than its carrying value, the carrying value of the asset is reduced to its recoverable amount.

Impairment losses are recognised in the SoCNE, except where the asset had been revalued previously and a revaluation reserve is held for the asset. In this case the value of the reserve is released first, and then excess impairment is charged to the SoCNE.

Impairment losses resulting from a permanent diminution in the value of the asset, due to a clear consumption of economic benefit or service potential, are recognised directly in the SoCNE, and any revaluation reserve held for the asset is transferred to the General Fund.

The reversal of an impairment loss is recognised in the SoCNE to the extent that the original charge, adjusted for subsequent depreciation, was previously recognised, with any remaining amount recognised in the Revaluation Reserve.

### **1.13 Deferred income**

Deferred income is recognised at the point in time where income has been received but a performance obligation has not been met.

### **1.14 Payables**

These are financial liabilities other than those classified as held at fair value through profit or loss (Net Operating Expenditure). Payables are recognised at the point in time where the expense of the same transaction is recognised.

They are valued initially at fair value, with the transaction value regarded



as the fair value at the date of initial recognition. Where the time value of money is considered to be material, the estimated cash values are discounted using the effective interest rate. They are derecognised when all obligations are settled.

### **1.15 Service Concession Arrangements including Private Finance Initiative arrangements**

Service Concession Arrangements, including Private Finance Initiative (PFI) arrangements, are arrangements whereby private sector operators are contractually obliged to provide services to the public in relation to certain infrastructure assets. HMPPS defines such arrangements as Service Concession Arrangements if they meet the conditions set out in IFRIC 12 'Service Concession Arrangements', as adapted for the public sector context by the FReM. Future payment streams are assessed to identify separately the infrastructure, interest and service components.

HMPPS recognises the infrastructure asset at fair value (or the present value of future minimum infrastructure payments, if lower) as a non-current asset in the SoFP, with a corresponding liability for future payments under the agreement.

The service element is charged to the SoCNE in the period the services are rendered by the operator. The interest element is charged to the SoCNE over the contract to produce a constant periodic rate of interest on the remaining balance of the liability. Older prison PFI arrangements and other Service Concession Arrangements use Treasury discount rates. HMP Thameside PFI and, where possible, any future PFI contracts

will use the interest rate implicit in the contract.

### **1.16 Inventories**

Inventories comprise raw materials, work-in-progress, finished goods and consumable stores. Inventories are valued at the lower of current replacement cost and net realisable value. Current replacement cost is not considered materially different from historical cost.

### **1.17 Employee benefits**

#### **Defined benefit pension schemes**

##### *Principal Civil Service Pension Scheme*

The provisions of the Principal Civil Service Pension Scheme (PCSPS) cover most past and present employees in HMPPS HQ and prisons. While this is an unfunded defined benefit scheme, in accordance with the FReM adaptation of IAS 19, HMPPS accounts for it as a defined contribution scheme. HMPPS recognises contributions payable as an expense in the year in which they are incurred, and the legal or constructive obligation is limited to the amount that it agrees to contribute to the fund.

##### *Local Government Pension Scheme*

HMPPS probation staff and past employees of the probation trusts, including those who transferred to Community Rehabilitation Companies and/or Community Rehabilitation Services (CRS), are covered by the provisions of the Local Government Pension Scheme (LGPS), via a pension fund administered by the Greater Manchester Pension Fund (GMPF). This is a funded defined benefit scheme.

The Secretary of State for Justice has provided a guarantee to GMPF in respect of the CRSs' participation in the GMPF

for pension liabilities that transferred to the CRSs.

The pension fund is subject to an independent triennial actuarial valuation to determine each employer's contribution rate. The last formal actuarial valuation was at 31 March 2019 and was carried out during 2019. The results of the valuation as at 31 March 2019 were shown in the actuarial report as at 31 March 2021 and were reflected in the 2020/21 accounts.

HMPPS obtains a professional calculation of the pension liability at the reporting date from Hymans Robertson LLP, the independent actuary for GMPF. The assumptions underpinning the actuarial calculations are subject to review as part of HMPPS's annual reporting and audit process.

The plan liability is the present value of the defined benefit obligation less the fair value of plan assets at the reporting date. The present value of the obligation is determined by discounting estimated future cash outflows using rates as advised by the scheme actuary. In between formal actuarial valuations, the obligation is approximated by adjusting the most recent full valuation using latest available membership data.

Remeasurements, comprising actuarial gains and losses, the effect of the asset ceiling, and the return on plan assets (excluding interest) are recognised within Other Comprehensive Expenditure in full in the period in which they arise. Service costs are recognised in the SoCNE and are spread systematically over the working lives of the employees. The net interest charge in the SoCNE reflects the

unwinding of the discount applied to the net liabilities of the scheme.

### **National Employment Savings Trust (NEST) Defined Contribution Pension Scheme**

Under the government's policy of 'Workplace Pensions', all workers who meet the minimum requirements for auto enrolment must be enrolled into a pension scheme by their employer.

NEST Defined Contribution Scheme is offered to individuals working in HMPPS who are not civil servants and are therefore not eligible to join the Civil Service Pension Scheme (public sector prisons/HQ prison staff) or the Local Government Pension Scheme (probation service staff). This covers those working on a sessional/fee paid basis who are on a contract of services and not a contract of employment.

### **Civil Service Injury Benefits Scheme**

The Civil Service Injury Benefit Scheme is accounted for under IAS 37. Please see Note 1.18.

### **1.18 Provisions and contingent liabilities**

Provisions represent liabilities of uncertain timing or amount. Provisions are recognised when HMPPS has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and for which a reliable estimate can be made of the amount.

If the likelihood of payment is less than probable, but greater than remote, or the obligation cannot be measured reliably,

a contingent liability is disclosed in the accounts.

Provisions and contingent liabilities are valued at the best estimate of the expenditure required to settle the obligation. They are discounted to present value using rates set by HM Treasury, where the effect is material.

### **Litigation**

In litigation provisions, the likelihood of the outcome and the estimated amount due are calculated by legal professionals, using their professional judgment and expert knowledge of the case providing a range of values with the most likely estimate of amount payable being claimed. Where legal cases relate to contract disputes, commercial professionals are also involved in the calculation of the likelihood and amount of payment.

### **Civil Service Injury Benefits Scheme**

HMPPS is required to pay benefits to staff who are members of the PCSPS, who are injured in connection with their employment, under the Civil Service Injury Benefits Scheme. Benefits are paid only in respect of loss of earning capacity, and a provision is made for expected future costs. The Government Actuary's Department (GAD) provides HMPPS with annuity rates each year covering whole of life (for total liability value), 1 year and 2 to 5 years (for cash flow values). These assumptions take the time value of money into account.

### **1.19 Value Added Tax**

Most of HMPPS's activities are outside the scope of VAT. In general, output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT

is charged to the relevant expenditure category or included in the capitalised purchase costs of non-current assets. Where output tax is charged or input tax is recoverable, the amounts are stated net of VAT.

### **1.20 Critical accounting estimates and judgements**

Estimates and judgements are evaluated continually and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### **Critical accounting estimates and assumptions**

HMPPS makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

#### *Revaluation and impairment of non-current assets*

Land, buildings and dwellings are shown at fair value based on professional valuations performed at 31 March each year by the Valuation Office Agency, an independent body, in accordance with the Royal Institute of Chartered Surveyors Appraisal and Valuation Manual.

Buildings that are specialised, such as the prisons, are valued at depreciated replacement cost (DRC) to a modern equivalent basis. This modern equivalent is assumed to be in the same location

with the same internal area as the existing property. Substantially all other buildings are measured at fair value determined from market-based evidence. All assets other than land and buildings and assets under construction are revalued at each reporting date using the Producer Price Index prepared by the ONS.

#### *LGPS assets and liabilities*

The present value of the net pension liability depends on several actuarially derived assumptions about inflation, salary and pension trends, discount factors and mortality rates. The estimated assets and liabilities are subject to fluctuation and uncertainty due to changes in these assumptions over time and differences between assumptions and actual events.

The pension liability for 2021/22 reflects the appropriate assumptions. As a result of the large increase in the discount rate at 31 March this has significantly reduced the pension liability for all GMPF employers, including HMPPS.

All assumptions remain under constant review. As the economic climate changes and more information becomes available, assumptions will be updated to reflect this. More detail is reflected in Note 18.

#### *Provisions for liabilities and charges*

The recognition and measurement of provisions rely on the application of professional judgement, historical experience and other factors expected to influence future events. Provision balances which contain regular, homogeneous transactions are often derived from complex financial models. Estimates and assumptions applied in these models are continually reviewed.

Where the likelihood of a liability crystallising is deemed probable and can be measured with reasonable certainty, a provision is recognised. Further information is set out in Note 1.18.

### **Critical judgements in applying HMPPS accounting policies**

#### *Service Concession Arrangements*

The classification of arrangements as Service Concession Arrangements requires HMPPS to determine, based on an evaluation of the terms and conditions of the arrangements, whether it controls the infrastructure. Where HMPPS is judged to control the infrastructure, the contract assets are reflected in the SoFP.


## **2. Statement of Operating Costs by Operating Segment**

The statement of operating costs by operating segment presents net operating cost information based on the structure reported to the HMPPS Board. The segments reflect the main directorate structure within HMPPS, allowing the board to have a clear view on the costs of front-line operations. Net cost information for directorates where budgets are held by MoJ is not reported to the HMPPS Board. This includes MoJ Corporate Services and Estates functions and the National Distribution Centre.

The HMPPS directorate structure is as follows:

### **Public Sector Prisons**

The Public Sector Prisons directorate is responsible for line management and leadership of public sector prisons in England. It drives the transformation of



public sector prisons to deliver effective and efficient performance, and to continue to treat offenders with decency.

### **Custodial Contracts**

Custodial Contracts includes a range of system-wide contracts and third sector providers delivering offender services, including privately managed prisons and prisoner escort and custody services contracts. Through these contracts HMPPS seeks to ensure effective system-wide performance, promoting and supporting the integration of services at local level.

### **Youth Custody Services**

The Youth Custody Service (YCS) is a distinct arm of HMPPS with responsibility for all aspects of work with young people (aged 10 to 17 years) both in Young Offender Institutions (YOIs) and in Secure Training Centres (STCs) across England and Wales. The YCS also has responsibility for Feltham B Side (ages 18 to 24 years), and oversight of children placed in eight Secure Children's Homes with which HMPPS contracts via local authorities. The YCS are also heavily involved in the implementation work for the launch of secure schools and wider Youth Justice Reform.

### **Probation England**

The Probation England directorate is responsible for line management and leadership of probation services in England. The Probation Service is a statutory criminal justice service that supervises all offenders released into the community, working closely with local delivery partnerships including prisons, Community Rehabilitation Services and other providers. The directorate also provides the courts with pre-sentence

reports, which advise on appropriate sentencing measures for all persons convicted of an offence.

### **HMPPS Wales**

The HMPPS Wales directorate is responsible for the public sector prisons in Wales, has line management of the Probation Service in Wales and contract manages the privately managed prison, HMP Parc Bridgend. A significant focus of the directorate is to represent HMPPS to the Welsh Government and local partners.

### **Prison Supply**

The Prison Supply Directorate includes a portfolio of new build, refurbishment projects and the Reconfiguration Programme. In addition to building 2 new Category C prisons, the new build portfolio aims to provide 13,000 additional safe prison places as quickly as possible to meet expected demand. The Reconfiguration Programme is continuing to reconfigure the estate into three functions (reception, training, and resettlement) so that prisoners are held in establishments appropriate to their needs.

### **Electronic Monitoring**

Electronic Monitoring is an effective offender management tool which can give defendants on bail and offenders a chance to maintain their ties with the community, whilst protecting the public. The Electronic Monitoring team is responsible for managing the existing curfew, location monitoring and recently introduced alcohol monitoring services by contracted providers. It is also continuing to develop the new national service which allows HMPPS to monitor offenders and defendants on bail (including immigration bail) even more effectively and innovatively to support Justice System

reform, including initiatives to support tougher community sentences.

### **Strategy, Planning & Performance**

The Strategy Planning and Performance Directorate (SPP) provides central support and oversight to the Agency. The directorate is responsible for setting out HMPPS organisational strategy with our partners and wider government, and ensuring our systems have the right governance and change management to deliver on our ambition. SPP directly supports operational delivery by enabling people to access and apply evidence and insight, to continuously improve performance, to monitor risk, improve information security and assure the delivery of services. The Directorate contains the Chief Executive Officer (CEO) office, leads on diversity and inclusion and works collaboratively to create more inclusive and open learning cultures.

### **Community Interventions**

The Community Interventions directorate managed a number of third sector providers delivering offender services through the Community Rehabilitation Companies, until the termination of all of these contracts in June 2021 when the services transferred to the newly formed Probation Service.

### **Probation Reform Programme**

The Probation Reform Programme is a key part of the Government's wider ambition to strengthen the Criminal Justice System so that it is more effective at tackling crime and serious offending and protecting the public from harm. As sentence management interventions are transitioned into the Probation Service, it is essential we have coherent estates and digital strategies in place which enables

our workforce to deliver a sustainable long-term platform for probation services which meets our overall public protection and rehabilitation duties and underpins the wider changes being implemented.


### **Reducing Reoffending & Accommodation**

The Reducing Reoffending & Accommodation directorate leads on work across HMPPS to improve the efficiency, effectiveness and delivery of reducing reoffending activity to ensure that we deliver Government priorities to beat crime including accommodation, substance misuse, education and employment. It manages a number of third sector providers delivering offender services: Independent Approved Premises, the Bail Accommodation and Support Services (BASS) contract and Langley House contract. The directorate also has responsibility for the HMPPS-provided Approved Premises.

### **Support Services**

This area includes the Security, Order and Counter Terrorism (SOCT), Central Operational Services (COS) and Transforming Delivery in Prisons (TDiP) directorates. SOCT works closely with both MoJ and the operational field to provide the most effective and innovative support for security in prisons and probation. COS includes Psychology, Safety, Education, Prison Industries, Families, Health and Interventions. TDiP has the Drugs Strategy and Prison Reform. Support Services also includes Centrally Managed budgets.

As referenced above, under the Probation Reform Programme the 18 contracts with 20 Community Rehabilitation Companies (CRCs) were terminated on 25th June



2021. From the following day all probation activities were performed directly by the reunified Probation Service. To achieve continuity of service over 7,000 members of staff transferred in from the CRCs, their parent companies and supply chain, and leased and owned assets were transferred to HMPPS where required. Where this has significant impact on a particular accounting area this is described in the relevant note.

Table 2a presents resource expenditure, which is reported to the board by segment. Table 2b reconciles this total to the SoCNE, which also includes Annually Managed Expenditure (AME) and SoCNE expenditure which counts towards capital for budgeting purposes.

The reporting format has been revised for 2021/22 to reflect the current HMPPS structure. 2020/21 comparatives are presented in the revised format for comparability.

## 2a Total net resource expenditure as reported to Board in 2021/22

	Gross expenditure £'000	Income £'000	2021/22 Net £'000
Public Sector Prisons	1,906,856	(141,329)	<b>1,765,527</b>
Custodial Contracts	738,058	(3,172)	<b>734,886</b>
Youth Custody Services	190,431	(32,750)	<b>157,681</b>
Probation England	721,917	(7,235)	<b>714,682</b>
HMPPS Wales	262,570	(9,259)	<b>253,311</b>
Prison Supply	30,130	(11)	<b>30,119</b>
Electronic Monitoring	88,609	(16,765)	<b>71,844</b>
Strategy, Planning & Performance	31,050	-	<b>31,050</b>
Community Interventions	104,290	-	<b>104,290</b>
Probation Reform Programme	74,733	-	<b>74,733</b>
Reducing Reoffending & Accommodation	155,676	(42,319)	<b>113,357</b>
Prison Reform	18,902	-	<b>18,902</b>
Support Services	164,187	(4,145)	<b>160,042</b>
<b>Total</b>	<b>4,487,409</b>	<b>(256,985)</b>	<b>4,230,424</b>

## 2b Reconciliation between operating segments and SoCNE in 2021/22

	Gross expenditure £'000	Income £'000	2021/22 Net £'000
<b>Total net expenditure by operating segment as reported to the Board</b>	<b>4,487,409</b>	<b>(256,985)</b>	<b>4,230,424</b>
PFI prisons and service concession arrangements accounting treatment	(3,157)	-	<b>(3,157)</b>
HMPPS costs where the budget is held within MoJ	719,394	(23,390)	<b>696,004</b>
MoJ overhead recharges	378,128	-	<b>378,128</b>
Capital income and expenditure	29	(1)	<b>28</b>
Accounting treatment of provisions (AME)	268,012	-	<b>268,012</b>
Other	13,713	(1,799)	<b>11,914</b>
<b>Total net expenditure per SoCNE</b>	<b>5,863,528</b>	<b>(282,175)</b>	<b>5,581,353</b>



## 2a Total net resource expenditure as reported to Board in 2020/21

	Gross expenditure £'000	Income £'000	2020/21 Net £'000
Public Sector Prisons	2,129,651	(133,644)	<b>1,996,007</b>
Custodial Contracts	591,676	(3,687)	<b>587,989</b>
Youth Custody Services	198,221	(31,569)	<b>166,652</b>
Probation England	435,175	(7,479)	<b>427,696</b>
HMPPS Wales	239,857	(8,106)	<b>231,751</b>
Prison Supply	298,001	(569)	<b>297,432</b>
Electronic Monitoring	111,806	(1,498)	<b>110,308</b>
Strategy, Planning and Performance	27,767	(25)	<b>27,742</b>
Community Interventions	399,580	(138)	<b>399,442</b>
Probation Reform Programme	56,133	-	<b>56,133</b>
Reducing Reoffending & Accommodation	133,699	(837)	<b>132,862</b>
Support Services	193,627	(38,546)	<b>155,081</b>
<b>Total</b>	<b>4,815,193</b>	<b>(226,098)</b>	<b>4,589,095</b>

## 2b Reconciliation between operating segments and SoCNE in 2020/21

	Gross expenditure £'000	Income £'000	2020/21 Net £'000
<b>Total net expenditure by operating segment as reported to the board</b>	<b>4,815,193</b>	<b>(226,098)</b>	<b>4,589,095</b>
PFI prisons and service concession arrangements accounting treatment	380	-	<b>380</b>
HMPPS costs where the budget is held within MoJ	442,888	(9,202)	<b>433,686</b>
MoJ overhead recharges	326,367	-	<b>326,367</b>
Capital income and expenditure	-	(1,247)	<b>(1,247)</b>
Accounting treatment of provisions (AME)	65,629	-	<b>65,629</b>
Other	(3,144)	-	<b>(3,144)</b>
<b>Total net expenditure per SoCNE</b>	<b>5,647,313</b>	<b>(236,547)</b>	<b>5,410,766</b>

### 3. Income

	2021/22 £'000	2020/21 £'000
<b>(a) Income from contracts with customers</b>		
External sales of prison industries	4,425	3,370
Retail prison shop income	67,265	65,884
In-cell TV income	547	33
Healthcare funding	53,927	49,622
Running of immigration removal centres	21,385	25,502
Youth remand income	32,054	31,022
Education funding	7,394	6,606
Electronic monitoring services	16,765	1,498
Estates recharges	22,173	1,303
Other income	11,248	10,305
<b>Total income from contracts with customers</b>	<b>237,183</b>	<b>195,145</b>
<b>(b) Other operating income</b>		
European Social Fund and other European funding	41,539	32,850
Rental income	3,453	8,552
<b>Total other operating income</b>	<b>44,992</b>	<b>41,402</b>
<b>Total operating income</b>	<b>282,175</b>	<b>236,547</b>

Income from contracts with customers includes sales to prisoners through the prison shop, healthcare funding and youth remand income.

Income in respect of services rendered is recovered in line with the related service level agreement on a full cost basis.

## 4. Expenditure

### 4a Staff numbers and related costs

Staff numbers and further details of related costs, including exit packages, are reported in the Remuneration and Staff report on pages 94 to 108.

	2021/22 £'000	2020/21 £'000
Permanent staff – wages and salaries	1,870,650	1,741,644
Permanent staff – social security costs	190,311	184,484
Permanent staff – pension costs	597,768	457,934
Agency staff costs	49,967	48,865
Departures and severance payments	15,179	8,630
Inward secondments	16,943	15,394
<b>Sub-total</b>	<b>2,740,818</b>	<b>2,456,951</b>
Recoveries in respect of outward secondments	(7,084)	(6,230)
<b>Total net costs</b>	<b>2,733,734</b>	<b>2,450,721</b>

As part of the Probation Reform Programme 6,339 FTE staff from the Community Rehabilitation Companies (CRCs), their parent organisations and supply chain, transferred into HMPPS in June 2021 on termination of the contracts with the CRCs.

### 4b Purchase of goods and services

	2021/22 £'000	2020/21 £'000
PFI prison service charges and managed prison charges	489,810	465,029
Service Concession Arrangements charges for prisoner escorting and custody services	128,531	137,862
Electronic monitoring	55,619	87,582
Contracted probation services (Community Rehabilitation Companies)	179,462	411,040
Accommodation, maintenance and utilities	568,789	572,675
Offender-related costs	402,447	419,384
Offender learning	125,162	131,340
Secure children's homes	28,059	27,456
Secure training centres	24,744	31,666
IT services and telecommunications	39,530	28,310
Training and other staff-related costs	30,602	43,916
Travel, subsistence and hospitality	27,530	16,356
Professional services	47,565	52,922
Communications, office supplies and services	16,407	12,742
Compensation costs	32,594	(1,747)
Other costs	47,542	31,044
<b>Total purchase of goods and services</b>	<b>2,244,393</b>	<b>2,467,577</b>

Offender-related costs includes offender food, clothing, cleaning equipment, prisoner earnings and prison shop cost of sales. The termination of the CRC contracts and reunification of the Probation Service changed the spending profile, removing costs from the single 'Contracted probation services' line and spreading across the various headings relevant to the costs now incurred directly by HMPPS, including staff costs.

#### 4c Depreciation, amortisation and impairment charges

	Notes	2021/22 £'000	2020/21 £'000
Depreciation – Property, plant and equipment	5	315,664	305,761
Depreciation – Right of use assets	7	20,917	-
Amortisation – Intangible assets	6	9,912	9,973
Impairment charge – Property, plant and equipment	5	95,736	39,124
Impairment charge/(reversal) – Right of use asset	7	(50)	-
Impairment charge/(reversal) – Intangible assets	6	-	-
Impairment charge/(reversal) – Assets held for sale	8	-	96
Impairment charge/(reversal) – Trade and other receivables	10	(1,282)	1,248
<b>Total depreciation, amortisation and impairment charges</b>		<b>440,897</b>	<b>356,202</b>

#### 4d Notional expenditure

	2021/22 £'000	2020/21 £'000
MoJ overhead recharges	378,128	326,367
Net (profit)/loss on disposal of assets	940	(952)
Capital grant in kind	-	900
External auditor's remuneration	330	320
<b>Total other non-cash expenditure</b>	<b>379,398</b>	<b>326,635</b>

#### MoJ overhead recharges

The MoJ overhead recharges represent the costs of services shared with MoJ including estates, digital technology, finance, HR, communications, analytical services, shared services and commercial and contract management.

#### External auditor's remuneration

The costs of the audit performed by the NAO on behalf of the Comptroller and Auditor General are recognised as a non-cash charge. During the year, HMPPS did not purchase any non-audit services. The cost for the audit of the HMPPS Annual Report and Accounts for 2021/22 was £330,000 (2020/21: £320,000).

#### 4e Finance expense

		2021/22	2020/21
	Notes	£'000	£'000
Interest on LGPS pensions	18	49,380	37,980
Unwinding of discount on provisions	13	2,175	(5,900)
<b>Total non-cash finance expense</b>		<b>51,555</b>	<b>32,080</b>
Finance charge on PFI and leased assets		12,656	14,098
Finance charge IFRS16	7	895	-
<b>Total cash finance expense</b>		<b>13,551</b>	<b>14,098</b>
<b>Total finance expense</b>		<b>65,106</b>	<b>46,178</b>

## 5. Property, plant and equipment

2021/22	Land £'000	Buildings £'000	Dwellings £'000	Information Technology £'000	Plant and Equipment £'000	Furniture, Fixtures and Fittings £'000	Payments on Account and Assets under Construction £'000	Total £'000
<b>Cost or valuation</b>								
At 1 April 2021	983,993	6,386,156	25,023	249,662	373,774	12,296	853,168	8,884,072
Adoption of IFRS 16 – reclassification	-	(19,958)	-	-	-	-	-	(19,958)
Restated balance at 1 April 2021	983,993	6,366,198	25,023	249,662	373,774	12,296	853,168	8,864,114
Additions	-	86,906	-	16,729	65,301	330	649,764	819,030
Disposals	-	-	-	(83)	(14,495)	(117)	-	(14,695)
Transfers	-	24	-	-	(25)	-	5,177	5,176
Reclassifications	(8,019)	546,432	6,838	20,384	15,052	3,379	(582,191)	1,875
Impairments	434	(56,969)	-	(3,974)	(34,707)	-	(532)	(95,748)
Revaluations	96,425	78,854	3,800	(3,407)	18,557	429	-	194,658
<b>At 31 March 2022</b>	<b>1,072,833</b>	<b>7,021,445</b>	<b>35,661</b>	<b>279,311</b>	<b>423,457</b>	<b>16,317</b>	<b>925,386</b>	<b>9,774,410</b>
<b>Depreciation</b>								
At 1 April 2021	-	-	(1)	(218,374)	(226,541)	(11,944)	-	(456,860)
Charged in year	-	(276,554)	(786)	(9,447)	(28,343)	(534)	-	(315,664)
Disposals	-	-	-	72	13,821	117	-	14,010
Transfers	-	-	-	-	-	-	-	-
Reclassifications	-	71	3	-	-	-	-	74
Impairments	-	-	-	-	9	2	-	11
Revaluations	-	276,176	771	3,049	(13,932)	(329)	-	265,735
<b>At 31 March 2022</b>	<b>-</b>	<b>(307)</b>	<b>(13)</b>	<b>(224,700)</b>	<b>(254,986)</b>	<b>(12,688)</b>	<b>-</b>	<b>(492,694)</b>
<b>Carrying value</b>								
At 31 March 2022	1,072,833	7,021,138	35,648	54,611	168,471	3,629	925,386	9,281,716
At 1 April 2021	983,993	6,386,156	25,022	31,288	147,233	352	853,168	8,427,212
<b>Asset financing:</b>								
Owned	958,013	6,227,684	35,648	54,611	119,612	3,629	925,386	8,324,583
On-balance sheet (SoFP) PFI contracts	114,820	793,454	-	-	48,859	-	-	957,133
<b>At 31 March 2022</b>	<b>1,072,833</b>	<b>7,021,138</b>	<b>35,648</b>	<b>54,611</b>	<b>168,471</b>	<b>3,629</b>	<b>925,386</b>	<b>9,281,716</b>



### **Non-operational assets**

Included in the carrying values above are 70 non-operational sites with a combined value of £40.2 million (2020/21: 11 non-operational sites with a combined value of £16.5 million). These sites are vacant, but do not yet meet the criteria for classification as assets held for sale.

### **Reclassification as assets held for sale**

Properties with a total carrying value of £7.5 million were reclassified to assets held for sale in 2021/22 (2020/21: £2.0 million).

## 5. Property, plant and equipment (continued)

2020/21	Land Buildings £'000	Dwellings £'000	Information Technology £'000	Plant and Equipment £'000	Furniture, Fixtures and Fittings £'000	Payments on Account and Assets under Construction £'000	Total £'000
<b>Cost or valuation</b>							
<b>At 1 April 2020</b>	<b>943,270</b>	<b>6,668,387</b>	<b>222,387</b>	<b>303,006</b>	<b>11,981</b>	<b>373,680</b>	<b>8,548,872</b>
Additions	-	62,824	17,364	70,756	167	573,842	724,953
Disposals	-	1	-	(5,060)	-	-	(5,059)
Transfers	-	(900)	3,249	-	-	31,413	33,762
Reclassifications	6,089	85,803	(450)	37,154	144	(123,461)	3,782
Impairments	155	(13,288)	-	(23,755)	-	(2,306)	(39,194)
Revaluations	34,479	(416,671)	7,112	(8,327)	4	-	(383,044)
<b>At 31 March 2021</b>	<b>983,993</b>	<b>6,386,156</b>	<b>249,662</b>	<b>373,774</b>	<b>12,296</b>	<b>853,168</b>	<b>8,884,072</b>
<b>Depreciation</b>							
<b>At 1 April 2020</b>	-	(520)	(205,161)	(215,715)	(11,911)	-	(433,306)
Charged in year	-	(274,666)	(6,573)	(23,679)	(30)	-	(305,761)
Disposals	-	-	-	4,788	-	-	4,788
Transfers	-	-	-	-	-	-	-
Reclassifications	-	14	-	-	-	-	33
Impairments	-	57	-	13	-	-	70
Revaluations	-	275,115	(6,640)	8,052	(3)	-	277,316
<b>At 31 March 2021</b>	-	-	(218,374)	(226,541)	(11,944)	-	(456,860)
<b>Carrying value</b>							
<b>At 31 March 2021</b>	<b>983,993</b>	<b>6,386,156</b>	<b>31,288</b>	<b>147,233</b>	<b>352</b>	<b>853,168</b>	<b>8,427,212</b>
<b>At 1 April 2020</b>	<b>943,270</b>	<b>6,667,867</b>	<b>17,226</b>	<b>87,291</b>	<b>70</b>	<b>373,680</b>	<b>8,115,566</b>
<b>Asset financing:</b>							
Owned	981,971	5,596,190	31,288	87,498	352	853,168	7,574,659
Finance leased	2,022	23,466	-	2,202	-	-	28,520
On-balance sheet (SoFP) PFI contracts	-	766,500	-	57,533	-	-	824,033
<b>At 31 March 2021</b>	<b>983,993</b>	<b>6,386,156</b>	<b>31,288</b>	<b>147,233</b>	<b>352</b>	<b>853,168</b>	<b>8,427,212</b>



## 6. Intangible assets

2021/22 Cost or valuation	Software £'000	Licences £'000	Payments on account and assets under construction £'000	Total £'000
<b>At 1 April 2021</b>	<b>351,954</b>	<b>19,243</b>	-	<b>371,197</b>
Additions	144	1,583	469	<b>2,196</b>
Disposals	-	-	-	-
Reclassifications	4,640	-	(4,701)	<b>(61)</b>
Revaluations	(4,777)	(135)	-	<b>(4,912)</b>
Transfers	-	-	4,243	<b>4,243</b>
<b>At 31 March 2022</b>	<b>351,961</b>	<b>20,691</b>	<b>11</b>	<b>372,663</b>
<b>Amortisation</b>				
<b>At 1 April 2021</b>	<b>(310,565)</b>	<b>(19,063)</b>	-	<b>(329,628)</b>
Charged in year	(9,731)	(181)	-	<b>(9,912)</b>
Disposals	-	-	-	-
Reclassifications	-	-	-	-
Revaluations	4,287	135	-	<b>4,422</b>
Transfers	-	-	-	-
<b>At 31 March 2022</b>	<b>(316,009)</b>	<b>(19,109)</b>	-	<b>(335,118)</b>
<b>Carrying value</b>				
<b>At 31 March 2022</b>	<b>35,952</b>	<b>1,582</b>	<b>11</b>	<b>37,545</b>
<b>At 1 April 2021</b>	<b>41,389</b>	<b>180</b>	-	<b>41,569</b>
<b>Asset financing</b>				
Owned	35,952	1,582	11	<b>37,545</b>
<b>At 31 March 2022</b>	<b>35,952</b>	<b>1,582</b>	<b>11</b>	<b>37,545</b>

At 31 March 2022 and 31 March 2021 there were no individually material intangible assets.

## 6. Intangible assets (continued)

2020/21 Cost or valuation	Software £'000	Licences £'000	Payments on account and assets under construction £'000	Total £'000
<b>At 1 April 2020</b>	<b>325,539</b>	<b>18,658</b>	<b>4,908</b>	<b>349,105</b>
Additions	-	-	-	-
Disposals	-	-	-	-
Reclassifications	9,258	(25)	(9,207)	<b>26</b>
Revaluations	10,544	585	-	<b>11,129</b>
Transfers	6,613	25	4,299	<b>10,937</b>
<b>At 31 March 2021</b>	<b>351,954</b>	<b>19,243</b>	<b>-</b>	<b>371,197</b>
<b>Amortisation</b>				
<b>At 1 April 2020</b>	<b>(292,357)</b>	<b>(16,959)</b>	<b>-</b>	<b>(309,316)</b>
Charged in year	(8,448)	(1,525)	-	<b>(9,973)</b>
Disposals	-	-	-	-
Reclassifications	403	-	-	<b>403</b>
Revaluations	(9,419)	(579)	-	<b>(9,998)</b>
Transfers	(744)	-	-	<b>(744)</b>
<b>At 31 March 2021</b>	<b>(310,565)</b>	<b>(19,063)</b>	<b>-</b>	<b>(329,628)</b>
<b>Carrying value</b>				
<b>At 31 March 2021</b>	<b>41,389</b>	<b>180</b>	<b>-</b>	<b>41,569</b>
<b>At 1 April 2020</b>	<b>33,182</b>	<b>1,699</b>	<b>4,908</b>	<b>39,789</b>
<b>Asset financing</b>				
Owned	41,389	180	-	<b>41,569</b>
<b>At 31 March 2021</b>	<b>41,389</b>	<b>180</b>	<b>-</b>	<b>41,569</b>

## 7. Leases

As explained in Note 1.10 HMPPS has adopted IFRS 16 'Leases' from 1 April 2021. As permitted by the FReM, we have implemented it using the cumulative catch-up method, without restatement of prior year figures. The majority of leases, treated as operating leases until 31 March 2021 have now been recognised on-balance sheet as right of use (RoU) assets and lease liabilities.

Right of use lease asset 2021/22	Land & Buildings	Total
Cost or valuation	£'000	£'000
<b>Initial recognition</b>	<b>89,991</b>	<b>89,991</b>
Reclassifications from PPE	19,958	<b>19,958</b>
<b>Adjusted opening balance at 1 April 2021</b>	<b>109,949</b>	<b>109,949</b>
Additions	44,246	<b>44,246</b>
Disposals	-	-
Reclassifications	(559)	<b>(559)</b>
Revaluations	(1,168)	<b>(1,168)</b>
Impairments	50	<b>50</b>
Transfers	-	-
<b>At 31 March 2022</b>	<b>152,518</b>	<b>152,518</b>
<b>Depreciation</b>		
<b>At 1 April 2021</b>	-	-
Charged in year	(20,917)	<b>(20,917)</b>
Disposals	-	-
Reclassifications	20	<b>20</b>
Revaluations	581	<b>581</b>
Transfers	-	-
<b>At 31 March 2022</b>	<b>(20,316)</b>	<b>(20,316)</b>
<b>Net RoU assets</b>	<b>132,202</b>	<b>132,202</b>

## Lease Liabilities

Lease liabilities are recognised within Note 7.

A maturity analysis of contractual undiscounted cash flows relating to lease liabilities is presented below. The cash flows and balances are presented net of irrecoverable VAT.

	31 March 2022		
	Gross £'000	Interest £'000	Net £'000
<b>Amounts falling due:</b>			
Not later than one year	19,637	895	18,742
Later than one year but not later than five years	56,450	2,286	54,164
Later than five years	38,945	1,445	37,500
	<b>115,032</b>	<b>4,626</b>	<b>110,406</b>
Less: unaccrued interest	(4,626)		
<b>Balance as at 31 March 2022</b>	<b>110,406</b>		
Current			18,742
Non-Current			91,664
			<b>110,406</b>

## Amounts recognised in the Statement of Comprehensive Net Expenditure

	31 March 2022 £'000
Depreciation charge	20,917
Interest expense	895
Short term leases	775
Low value asset leases (excl short term leases)	150
<b>Total</b>	<b>22,737</b>

## Amounts recognised in the Statement of Cash Flows

	31 March 2022 £'000
Interest expense	895
Repayment of principal on leases	20,004
<b>Total</b>	<b>20,899</b>

**Reconciliation from the IAS 17 operating lease commitment on 31 March 2021 to the IFRS 16 opening lease liability on 1 April 2021**

This table reconciles the operating lease commitments as at 31 March 2021 to the lease liabilities as at 1 April 2021, immediately following adoption of IFRS 16. The operating lease commitments figure has been restated for arrangements not previously identified as leases. Thereafter, the material reconciling items are an adjustment for the impact of discounting and for the differing

assessments of the lease term (the previous operating lease commitment reflected amounts payable during the non-cancellable lease period, while the IFRS 16 lease term reflects the agency's assessment of the likelihood that it will exercise lease extension or cancellation options).

Opening lease liabilities are greater than opening right of use assets because there are additional adjustments for items such as peppercorn leases, previously recorded in property, plant and equipment.

2021/22	£'000
Operating leases disclosed at 31 March 2021	99,766
Leases not included in closing balance	1,335
<b>Re-stated operating lease commitments as at 31 March 2021</b>	<b>101,101</b>
<b>Adjustments from IAS 17 to IFRS 16:</b>	
Impact of discounting	(10,345)
Low value and short-term lease commitments	(2,914)
Dartmoor - difference in lease life	791
<b>IFRS 16 opening balance lease liabilities</b>	<b>88,633</b>
Finance Leases transferred to ROU	19,958
Leases (difference between liability & asset balance)	1,358
<b>IFRS 16 Asset opening balance</b>	<b>109,949</b>

## 8. Assets held for sale

	31 March 2022 £'000	31 March 2021 £'000
<b>Cost or valuation</b>		
<b>At 1 April</b>	<b>9,107</b>	<b>15,882</b>
Reclassifications	(1,322)	(4,244)
Disposals	(1,588)	(1,077)
Impairments	-	(96)
Revaluations	(23)	(1,358)
<b>At 31 March</b>	<b>6,174</b>	<b>9,107</b>

HMPPS has committed to a plan to sell various surplus properties, which are to be sold for commercial use and domestic dwellings. The properties are available for sale in their present condition and the sales are highly probable to occur within one year from the date of classification as an asset held for sale.

## 9. Inventories

	31 March 2022 £'000	31 March 2021 £'000
<b>Industries and farms</b>		
Raw materials	22,797	22,673
Work-in-progress	2,040	2,061
Finished goods	1,813	1,672
	<b>26,650</b>	<b>26,406</b>
Consumables	28,439	28,386
<b>Total inventories</b>	<b>55,089</b>	<b>54,792</b>

## 10. Trade Receivables

	31 March 2022 £'000	31 March 2021 £'000
Trade receivables	25,160	33,087
Other receivables	51,557	37,958
VAT receivables	37,046	49,484
Intra-departmental receivables	18,840	5,165
Prepayments	11,610	6,084
Accrued income	32,015	24,710
<b>Total trade and other receivables</b>	<b>176,228</b>	<b>156,488</b>

## 11. Cash and cash equivalents

	31 March 2022 £'000	31 March 2021 £'000
Balance at 1 April	31,157	15,654
Net change in cash and cash equivalents	(1,874)	15,503
<b>Balance at 31 March</b>	<b>29,283</b>	<b>31,157</b>
<b>The following balances at 31 March were held at:</b>		
Government Banking Service	28,070	30,028
Commercial banks and cash in hand	1,213	1,129
<b>Cash at bank and in hand</b>	<b>29,283</b>	<b>31,157</b>

### Third party monies

At 31 March 2022, HMPPS held cash of £15.0 million (£16.9 million at 31 March 2021) on behalf of offenders. As this cash belongs to third parties, the balance is not included in the SoFP in these accounts.

## 12. Trade and other payables

### 12a. Amounts falling due within one year

	31 March 2022 £'000	31 March 2021 £'000
Trade payables	50,584	63,666
Taxation and social security	48,952	43,931
Other payables	46,481	42,466
Intra-departmental payables	106,656	61,019
Accruals	538,795	532,260
Deferred income	31,983	44,467
Current part of finance leases	-	46
Consolidated Fund extra receipts (CFERs)	-	-
	<b>823,451</b>	<b>787,855</b>

### 12b. Amounts falling due after more than one year

	31 March 2022 £'000	31 March 2021 £'000
Local authority loan balances	499	777
Finance leases	-	133
	<b>499</b>	<b>910</b>

## 13. Provisions for liabilities and charges

				31 March 2022	31 March 2021
	Leasehold property dilapidations	Injury benefit scheme	Litigation and other provisions	Total	Total
	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1 April</b>	<b>47,441</b>	<b>155,666</b>	<b>67,269</b>	<b>270,376</b>	<b>310,992</b>
Provided in year	4,406	16,818	29,146	<b>50,370</b>	<b>62,593</b>
Provisions not required written back	(2,422)	(1,814)	(15,267)	<b>(19,503)</b>	<b>(62,249)</b>
Provisions utilised in year	(988)	(5,896)	(20,743)	<b>(27,627)</b>	<b>(35,060)</b>
Unwinding of discount	-	-	2,175	<b>2,175</b>	<b>(5,900)</b>
<b>Balance at 31 March</b>	<b>48,437</b>	<b>164,774</b>	<b>62,580</b>	<b>275,791</b>	<b>270,376</b>

### Analysis of expected timing of discounted cash flows

				31 March 2022	31 March 2021
	Leasehold property dilapidations	Injury benefit scheme	Litigation and other provisions	Total	Total
	£'000	£'000	£'000	£'000	£'000
Not later than one year:	11,166	5,697	7,532	<b>24,395</b>	<b>35,246</b>
Later than one year but not later than five years:	26,512	22,685	46,042	<b>95,239</b>	<b>91,877</b>
Later than five years:	10,759	136,392	9,006	<b>156,157</b>	<b>143,253</b>
<b>Balance at 31 March</b>	<b>48,437</b>	<b>164,774</b>	<b>62,580</b>	<b>275,791</b>	<b>270,376</b>

#### Leasehold property dilapidations

Dilapidation costs are an estimate of the expenditure required to return vacated leased properties to their original condition. The movement in year is as a result of:

- updated information relating to property vacations
- new properties leased during the year
- leases terminated during the year
- changes in SQM rate assumptions

#### Civil Service Injury Benefits Scheme provisions

From 1 April 1998, HMPPS is required to pay benefits under the Civil Service Injury Benefits Scheme. The scheme pays benefits to any PCS member who suffers disease or injury, which is wholly or partially attributable to the nature of the duty, or who suffers an attack or similar act which is directly attributable to employment within the service. Benefits are paid only in respect of loss of earning capacity and are designed to enhance a beneficiary's income up to a guaranteed minimum of 85% of pensionable earnings.



## **Litigation and other provisions**

Litigation provisions of £55.4 million<sup>1</sup> (2020/21: £58.6 million<sup>1</sup>) comprise legal claims against HMPPS and reflect all known claims where legal advice indicates that it is more likely than not that the claim will be successful, and the amount of the claim can be reliably estimated. These figures exclude discounting on the six annuity cases referenced below.

Other provisions of £5.2 million (2020/21: £8.7 million) primarily consist of a £5 million provision arising from a terminated contract. Legal claims which are likely to succeed with a lesser degree of certainty or cannot be estimated reliably are disclosed as contingent liabilities in Note 17.

Provisions for six cases which have resulted in annuities arising from litigation are discounted using the HMT rates as payments are due over a number of years – more than 20 years in some cases. Other general litigation provisions are not discounted, on the basis that most claims would normally crystallise within twelve months and the potential discounting on those that could continue for longer is uncertain and is not material.

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<sup>1</sup> Opening and closing balances include the life-cycle value for annuities, which is separate from the extracted litigation provisions total.

## 14. Commitments under PFI contracts and other service concession arrangements

### 14a. On-balance sheet (SoFP) PFI contracts and other service concession arrangements

Project name	Contract start date	Duration (years)	Description
HMP Altcourse	December 1997	25	Design, build, finance and operate an 800-place category B prison at HMP Altcourse
HMP Parc	December 1997	25	Design, build, finance and operate a 1,519-place category B prison near Bridgend, South Wales
HMP Lowdham Grange	February 1998	25	Design, build, finance and operate a 760-place category B prison at HMP Lowdham Grange, Nottingham
HMP Ashfield	November 1999	25	Design, build, finance and operate a 400-place young offenders and juveniles category B prison at Pucklechurch, near Bristol; converted in 2013 to hold adult offenders
HMP Forest Bank	January 2000	25	Design, build, finance and operate an 800-place category B prison HMP Forest Bank, on site of the former Agecroft power station
HMP Rye Hill	January 2001	25	Design, build, finance and operate a 600-place category B prison HMP Rye Hill at Onley, near Rugby
HMP Dovegate	July 2001	25	Design, build, finance and operate a 1,060-place category B prison and therapeutic community facility at HMP Dovegate, Marchington
HMP Bronzefield	June 2004	25	Design, build, finance and operate a 500-place category B prison at Ashford in Middlesex
HMP Peterborough	March 2005	25	Design, build, finance and operate an 840-place category B prison at Peterborough in Cambridgeshire
HMP Thameside	March 2012	25	Design, build, finance and operate a 900-place category B prison at Woolwich in London
Oakhill Secure Training Centre	May 2004	25	Design, construct and manage a secure training centre, located in Oakhill, Milton Keynes
Prison Escorting and Custody Service	August 2020	10	The supply and running of prison vans and escorts

#### 14b. Commitments under PFI and other service concession contracts

Details of the imputed finance lease charges under service concession arrangements recognised on the SoFP are given in the table below for each of the following periods:

	31 March 2022 £'000	31 March 2021 £'000
Rentals due not later than one year	40,405	38,884
Rentals due later than one year but not later than five years	135,024	128,896
Rentals due later than five years	152,244	160,228
	<b>327,673</b>	<b>328,008</b>
Less interest element	(69,791)	(91,651)
<b>Present value of obligations</b>	<b>257,882</b>	<b>236,357</b>

The present value of liabilities under service concession arrangements recognised on the SoFP are given in the table below for each of the following periods:

	31 March 2022 £'000	31 March 2021 £'000
Rentals due not later than one year	29,540	24,623
Rentals due later than one year and not later than five years	103,071	86,723
Rentals due later than five years	125,271	125,011
<b>Present value of obligations</b>	<b>257,882</b>	<b>236,357</b>

Details of the minimum service charge under service concession arrangements recognised on the SoFP are given in the table below for each of the following periods:

	31 March 2022 £'000	31 March 2021 £'000
Not later than one year	528,823	540,342
Later than one year but not later than five years	1,409,544	1,619,855
Later than five years	1,068,246	1,343,527
<b>Total service element</b>	<b>3,006,613</b>	<b>3,503,724</b>

Future commitments are estimates based on assumptions, using the best information available.

#### 14c. Charge to the Consolidated Statement of Comprehensive Net Expenditure

The total amount charged in the SoCNE in respect of on-balance sheet (SoFP) PFI and other service concession arrangements transactions was £549.6 million for the year to 31 March 2022 (2020/21: £562.7 million). Of this total, the service element was £537.3 million (2020/21: £548.7 million) and the interest charges were £12.4 million (2020/21: £14 million).

## 15. Other financial commitments

	31 March 2022 £'000	31 March 2021 £'000
Not later than one year	272,548	633,161
Later than one year but not later than five years	504,144	696,127
Later than five years	90,097	77,210
<b>Total other financial commitments</b>	<b>866,789</b>	<b>1,406,498</b>

Included within the table for 2020/21, there was a commitment totalling £103m relating to the contracts with the Community Rehabilitation Centres which were terminated in June 2021.

## 16. Capital commitments

Capital expenditure contracted for at the end of the reporting period but not included in these financial statements is as follows:

	31 March 2022 £'000	31 March 2021 £'000
Property, plant and equipment	122,069	361,883
<b>Total capital commitments</b>	<b>122,069</b>	<b>361,883</b>

## 17. Contingent liabilities

HMPPS faces claims amounting to £113.9 million (2020/21: £69.9 million) for injury to staff, prisoners and the public and for third party contract disputes where the likelihood of a liability arising is deemed possible but not likely or not reliably measurable. Other claims where it is more likely than not that a liability will arise have been provided for in the accounts, see Note 13. Remote contingent liabilities reported to Parliament are disclosed in the Accountability Report on page 53.

## 18. Pensions

Staff costs in Note 4(a) include the cost of pension contributions made by HMPPS.

16 individuals retired early on ill health grounds (2020/21: 31). The total additional accrued pension liabilities in the year amounted to £0.1 million (2020/21: £0.1 million).

### **Principal Civil Service Pension Scheme**

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS) – known as ‘Alpha’ – are unfunded, multi-employer defined benefit schemes. HMPPS is unable to identify its share of the underlying assets and liabilities. Civil service pension schemes are accounted for as defined contribution plans as a result. The scheme actuary valued the PCSPS at 31 March 2016. Details can be found at [www.civilservicepensionscheme.org.uk](http://www.civilservicepensionscheme.org.uk).

For the year to 31 March 2022, employer’s contributions of £337.2 million were payable to the PCSPS (2020/21: £328.8 million) at rates in the range of 26.6% to 30.3% (2020/21: 26.6% to 30.3%) of pensionable pay (34.1% for prison officer grades with reserved rights based on salary bands (2020/21: 34.1%)).

The scheme actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2021/22 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

### **Partnership pension accounts**

Employees can opt to open a partnership pension account, which is a stakeholder pension with an employer contribution. Employers’ contributions of £1.2 million (2020/21: £1.2 million) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 8% to 14.75% (2020/21: 8% to 14.75%) of pensionable pay.

Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £0.4 million, 0.5% of pensionable pay, (2020/21: £0.04 million, 0.5%) were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees. There were contributions due of £0.1 million and no contributions prepaid to the partnership pension providers at 31 March 2022.

### **National Employment Savings Trust (NEST) Defined Contribution Pension Scheme**

Under the government’s policy of ‘Workplace Pensions’, all workers who meet the minimum requirements for auto enrolment must be enrolled into a pension scheme by their employer.

NEST Defined Contribution Scheme is offered to individuals working in HMPPS who are not civil servants and are therefore not eligible to join the Civil Service Pension Scheme (Public Sector Prisons/HQ prison staff) or the Local Government Pension Scheme (Probation Service staff). This covers those working on a sessional/fee paid basis who are on a contract of services and not a contract of employment.

The NEST scheme is run by the NEST Corporation, a non-departmental public body. It is accountable to Parliament through the Department for Work and Pensions and is independent of government in its day-to-day decisions.

Pension contributions are based on a pensionable pay range, of between £6,240 and £50,270 (2020/21: £6,240 and £50,000). A minimum pension contribution is not mandatory for pensionable pay below £6,240 (2020/21: £6,240). Minimum contributions for 2021/22 were 8% in total: 3% by employers and 4% by employees, with 1% through tax relief from government (2020/21: 3% by employers and 4% by employees, with 1% through tax relief from government). For the year to 31 March 2022, employer contributions of £0.04 million were paid (2020/21: £0.04 million).

### **Local Government Pension Scheme**

HMPPS offers retirement benefits within the Local Government Pension Scheme (LGPS) to probation staff working within the Probation Service (PS).

With effect from 1 June 2014, HMPPS is responsible for the overall pension liability for past and present LGPS employees employed in the Probation Service (formally the NPS), including the former Probation Trusts and the former Community Rehabilitation Companies (CRCs) (and their sub-contracted bodies) and with effect from 26 June 2021, the current LGPS employees within the outsourced Community Rehabilitation Service (CRS) providers. The total pension liability is recorded within the HMPPS accounts below. The contracts with the CRS providers (and previously with the CRCs) were designed so that the CRSs

paid a fixed fee with the pension liability risk remaining with HMPPS.

The total LGPS pension liability transferred to HMPPS on 1 June 2014, under absorption accounting and the Transforming Rehabilitation Programme, which saw the creation of CRCs and NPS. Up to 31 May 2014, 35 Probation Trusts accounted for their pension liability separately via locally administered pension funds. Under the Transforming Rehabilitation Programme, the Probation Trusts were dissolved and the NPS (within HMPPS) and the outsourced CRCs were created on 1 June 2014. At this point, the CRCs became LGPS Admitted Bodies under the responsibility of HMPPS who became the LGPS scheme employer.

Past employees of the Probation Trusts, and LGPS probation staff who transferred to CRCs and HMPPS NPS are covered by the provisions of LGPS via one pension fund, GMPF, administered by their local authority council, Tameside Metropolitan Borough Council. The assets and liabilities from the former Probation Trust's own pension funds were transferred to GMPF.

With effect from 25 June 2021, the contracts with the CRCs ended and the majority of LGPS employees transferred into the Probation Service within HMPPS, with a few remaining LGPS employees transferred to 13 of the new outsourced CRS providers. The 13 CRS providers became LGPS admitted bodies, under the responsibility of HMPPS as the scheme employer. The total pension liability will continue to be the responsibility of HMPPS and will be reported in the HMPPS annual report and accounts.

The LGPS is a statutory scheme primarily governed by the LGPS Regulations 2013 and the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014. These are subject to amendment over time. The LGPS is a funded, multi-employer defined benefit scheme. HMPPS recognises an LGPS pension scheme liability in these accounts, in accordance with IAS 19.

A liability arises as employees earn their future entitlement to payments when they retire. The pension fund is subject to an independent triennial actuarial valuation to determine each employer's contribution rate. The contribution rates reflect benefits as they are accrued and reflect the past experience of the schemes.

The LGPS provides benefits on a 'final salary' basis, up to 31 March 2014, at a normal retirement age of 65. For pensionable service up to 31 March 2008, benefits accrued at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to 3/80ths of final pay for every year of total membership is payable on retirement. Benefits accrued at the rate of 1/60th of pensionable salary for service from 1 April 2008 to 31 March 2014 with no automatic lump sum.

From 1 April 2014, the scheme provides benefits on a career average revalued earnings (CARE) basis. Benefits accrue at the rate of 1/49th of pensionable salary for each year of service. The scheme permits employees to take a lump sum payment on retirement in exchange for a reduction in their future annual pension. Members pay contributions of between 5.5% and 12.5% of pensionable earnings. Member contributions changed from 1 April 2014

and benefits accrued from this date are on a CARE basis, with protections in place for those members in the scheme before the changes took effect.

For the year to 31 March 2022, HMPPS paid employers' contributions of £145.6 million to GMPF, relating to current probation staff, at 29.6% (2020/21: £98.5 million at 29.6%). The increase in contributions paid is due to the former CRC employees transferring into HMPPS on 26 June 2021 and joining the LGPS.

Following the 2019 Triennial Valuation, the Probation Service employer contribution rates for 2021/22 to 2022/23 will remain unchanged at 29.6%.

The pension position as at 31 March 2022, as detailed below, is based on the actuarial report from Hymans Robertson LLP, the independent actuary for GMPF, in compliance with IAS 19. There were no plan curtailments or settlements during the year.

Full details of GMPF's Investment Strategy Statement, Funding Strategy Statement, including its annual report and financial statements, and responsibilities of the GMPF Management Panel can be found on the GMPF website: [www.gmpf.org.uk](http://www.gmpf.org.uk).

Tameside Metropolitan Borough Council is the administering authority of GMPF.

A number of assumptions are made as part of the actuarial valuation process and the major assumptions are set out in the table below. The assumptions underlying the calculation of the net liability as at 31 March 2022 are used for accounting purposes as required under IAS 19.

### **Risks associated with the fund in relation to accounting, including COVID-19 impact.**

In March 2020, there were significant falls in some global markets as a result of the COVID-19 pandemic. This reduced the value of the LGPS assets recorded by GMPF and the share of assets applicable to HMPPS. Since then, the markets have improved and the assets held by GMPF have performed extremely well over the past year, as set out in the disclosure below. Whilst the impact of COVID-19 continues to produce some uncertainty on the market valuation of properties, management acknowledges the uncertainty but considers that the valuation provided by GMPF is appropriate at the date of reporting.

The overall reduction in pension liabilities is shown in the disclosure below. The pension liabilities for 2021/22 reflect the appropriate assumptions and all assumptions remain under constant review. As the economic climate changes and more information becomes available assumptions will be updated to reflect this.

HMPPS is only liable for the pension obligations due to GMPF relating to Probation Service employees (and ultimately the CRS employees under the Secretary of State for Justice Pension Guarantee, referred to in Accounting Policies Note 1.17). HMPPS is not liable for pension obligations of other employers that participate in the LGPS with GMPF.

Should HMPPS move to another pension fund or pension scheme, an exit payment to cover the pension liability due would be determined by GMPF and their actuary.

However, there are no plans to move to another pension fund or pension scheme.

### **Discount rate**

The discount rate is the most significant financial assumption for assessing pension obligations. A reduction in the discount rate results in an increase in the value of the pension liability for accounting purposes and vice versa. The discount rate used in these financial statements, as required by IAS 19, is based on market yields of high-quality corporate bonds valued as at the reporting date of 31 March. Hymans' corporate bond yield curve is based on the constituents of the iBoxx AA corporate bond index. The discount rate assumptions set by the actuary are considered appropriate in light of COVID-19. The large increase in the discount rate compared to last year has resulted in a significant reduction in the pension liability.

### **Inflation**

The inflation assumption is the second most significant financial assumption for assessing pension obligations and typically drives the assumption for salary growth and pension increases (to the extent they are inflation linked). A higher inflation assumption will lead to an increase in pension liabilities. The government announced the measure of Retail Price Index will change from 2030 to be in line with Consumer Prices Index including housing costs. This has been allowed for when deriving the inflation assumption. This has resulted in an increase this year in the projection for future pension increases and salary growth.



## **Mortality**

The baseline mortality assumptions are based on analysis carried out by longevity experts Club Vita. Future life expectancy predictions use their continuous mortality investigation model. For 2021/22 the CMI 2021 model has been used, which uses more up to date longevity data when compared to the CMI 2020 model used for the 2020/21 assumptions. Based on very high-level analysis it is not expected that mortality arising from COVID-19 in the short term will have a significant impact on the valuation of the pension liability for HMPPS. In the longer term, COVID-19 has the potential to impact on future mortality, but it is too early to quantify at this stage. The mortality rate assumptions used for 2020/21 have not been adjusted specifically in relation to the potential impact of COVID-19.

## **Risk mitigation strategies**

The GMPF Management Panel carries out a similar role to the trustees of a pension scheme. They are key decision makers for:

- investment strategy
- monitoring investment activity and performance
- overseeing administrative activities
- guidance to officers in exercising delegated powers
- reviewing governance arrangements

Each local council within Greater Manchester is represented on the management panel, along with MoJ. There have been no concerns raised by MoJ to date on GMPF's investment or funding strategy or asset performance.

## **McCloud Judgment**

The December 2018 McCloud Judgment found that transitional arrangements put in place during the reform of firefighters and judges pension schemes was discriminatory on grounds of age. The government has confirmed this ruling also applies to the LGPS. Based on the findings of the Government Actuary's Department, published in June 2019 and taking account of the proposed remedial action published by HM Treasury in July 2020 in their consultation document, Hymans Robertson LLP calculated an estimated past service cost applicable to HMPPS. This resulted in an additional cost of £25.3m, reflected in the pension liability for the 2019/20 accounts.

The government response to the consultation for unfunded pension schemes was published in February 2021, however the government response for the LGPS has not yet been published and is not expected until later in the year. On 13 May 2021, a written Ministerial Statement on McCloud and LGPS was made. Further information can be found at <https://questions-statements.parliament.uk/written-statements/detail/2021-05-13/hcws26>.

Based on the response for the unfunded pension schemes and written Ministerial Statement no further adjustment to the cost in the pension liability has been made for 2021/22. Further information on the McCloud Judgment can be found at <https://www.civilservicepensionscheme.org.uk/your-pension/2015-remedy/>.

**The major assumptions used by the LGPS actuary were:**

	31 March 2022	31 March 2021
	%	%
Rate of increase in salaries	3.95	3.60
Rate of increase for pensions in payment and deferred pensions	3.20	2.85
Discount rate	2.70	2.00

**Mortality**

Life expectancy is based on the fund's VitaCurves with improvements in line with the continuous mortality investigation (CMI) 2021 model, with a 0% weighting of 2021 and 2020 data, standard smoothing, initial adjustment of 0.25% and a long-term rate of 1.5% per year. (2020/21: life expectancy was based on the VitaCurves with improvements in line with the continuous mortality investigation (CMI) 2020 model, with a 0% weighting of 2020 data, standard smoothing, initial adjustment of 0.5% and a long-term rate of 1.5% pa). Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Male	Female
Current pensioners	20.3 years	23.0 years
Future pensioners <sup>2</sup>	21.6 years	25.1 years

<sup>2</sup> Figures assume members aged 45 as at the last formal valuation date

## Movements in the LGPS defined benefit obligation during the year:

	31 March 2022		31 March 2021	
	Present value of obligation £'000	Fair value of plan assets £'000	Present value of obligation £'000	Fair value of plan assets £'000
		Total £'000		Total £'000
Plan assets	-	4,600,816	-	3,774,615
Funded liabilities	(6,969,867)	(6,969,867)	(5,372,978)	(5,372,978)
Unfunded liabilities	(40,960)	(40,960)	(39,455)	(39,455)
<b>Opening balance at 1 April</b>	<b>(7,010,827)</b>	<b>4,600,816</b>	<b>(5,412,433)</b>	<b>(1,637,818)</b>
Current service costs	(275,730)	(275,730)	(151,014)	(151,014)
Past service costs (including curtailments)	(3,240)	(3,240)	(319)	(319)
<b>Total current and past service costs</b>	<b>(278,970)</b>	<b>-</b>	<b>(151,333)</b>	<b>(151,333)</b>
<b>Net interest (cost) income</b>	<b>(141,598)</b>	<b>92,218</b>	<b>(124,614)</b>	<b>86,634</b>
<b>Remeasurements</b>				
Returns on plan assets, excluding amounts included in interest expense/(income)	-	424,143	-	750,232
Gain/(loss) from change in financial assumptions	498,074	-	(1,482,981)	(1,482,981)
Experience gains/(losses)	(12,367)	-	55,895	55,895
Gain/(loss) from change in demographic assumptions	40,708	-	(27,927)	(27,927)
<b>Total remeasurements</b>	<b>526,415</b>	<b>424,143</b>	<b>(1,455,013)</b>	<b>(704,781)</b>
<b>Contributions</b>				
Employers <sup>3</sup>	-	153,746	-	118,534
Plan participants	(33,886)	33,886	(27,844)	-
Unfunded benefits	-	3,214	-	3,367
Benefit payments	160,935	(160,935)	157,043	-
Unfunded benefit payments	3,214	(3,214)	3,367	-

<sup>3</sup> £153.8 million is the actuarial calculation (based on actual and estimated amounts) of the employer contribution figure for both NPS and the 20 CRCs/13 CRSS (2019/2020: £118.5 million)

	31 March 2022		31 March 2021	
	Present value of obligation £'000	Fair value of plan assets £'000	Present value of obligation £'000	Fair value of plan assets £'000
		Total £'000		Total £'000
<b>Closing balance at 31 March</b>	<b>(6,774,717)</b>	<b>5,143,874</b>	<b>(7,010,827)</b>	<b>4,600,816</b>
Plan assets	-	5,143,874	-	4,600,816
Funded liabilities	(6,737,883)	(6,737,883)	(6,969,867)	(6,969,867)
Unfunded liabilities	(36,834)	(36,834)	(40,960)	(40,960)
<b>Closing balance at 31 March</b>	<b>(6,774,717)</b>	<b>5,143,874</b>	<b>(7,010,827)</b>	<b>4,600,816</b>
		<b>(1,630,843)</b>		<b>(2,410,011)</b>

## The plan assets in the LGPS were:

	Quoted price (in active markets) £'000	Quoted price (not in active markets) £'000	Value at 31 March 2022 £'000	Value as a percentage of total scheme assets at 31 March 2022 %	Value at 31 March 2021 £'000	Value as a percentage of total scheme assets at 31 March 2021 %
Equity Securities	2,151,612	-	2,151,612	42	2,016,983	44
Debt Securities	446,376	-	446,376	9	282,151	6
Private Equity	-	363,409	363,409	7	273,837	6
Property	-	199,278	199,278	4	171,909	4
Investment Funds and Unit Trusts	940,294	882,041	1,822,335	35	1,764,498	38
Cash and cash equivalents	160,864	-	160,864	3	91,438	2
<b>Total plan assets</b>	<b>3,699,146</b>	<b>1,444,728</b>	<b>5,143,874</b>	<b>100</b>	<b>4,600,816</b>	<b>100</b>

## Sensitivity analysis

The actuary's assessment of the impact on LGPS pension liabilities of increases and reductions in key actuarial assumptions:

	31 March 2022		31 March 2021	
	Approximate monetary amount £000	Approximate increase to Employer Liability %	Approximate monetary amount £000	Approximate increase to Employer Liability %
0.5% decrease in real discount rate	679,365	10	725,070	10
0.5% increase in the salary increase rate	72,710	-	79,640	1
0.5% increase in the pension increase rate	601,150	10	629,339	9

The principal demographic assumption is the mortality assumption (i.e. member life expectancy). For sensitivity purposes, we estimate that a one-year increase in life expectancy would approximately increase the Employer's Defined Benefit Obligation by around 3% to 5%. In practice the actual cost of a one-year

increase in life expectancy will depend on the structure of the revised assumption (i.e. if improvements to survival rates predominantly apply at younger or older ages). For 2021/22, a one-year increase in member life expectancy would increase the liability by 4% or £270,989,000.

## 19. Financial instruments

### Categories of financial instrument

Details of receivables, cash balances and payables can be found in Notes 10, 11 and 12.

Receivables comprise trade receivables, other receivables and accrued income that have fixed or determinable payments that are not quoted in an active market.

Receivables are assessed at each SoFP date and impaired where recoverability is in doubt.

HMPPS holds share investments of £0.4 million (2020/21: £0.6 million) in milk companies due to the milk producing prison farms run by HMPPS at HMP Usk. They are held as financial assets at fair value through profit and loss. Fair value is equal to market value at the reporting date, and the movement in the value of assets is recognised immediately in the SoCNE, as income or as an expense.

HMPPS has financial liabilities comprising PFI liabilities, finance lease liabilities, trade payables, other payables and accruals.

Financial liabilities are measured initially at fair value. Where the effect is material, estimated cash flows of financial liabilities are discounted.

### Credit risk

HMPPS is exposed to minimal credit risk as loans and receivables are comprised of trade and other receivables. The maximum exposure to credit risk is the risk that arises from potential default of a debtor and is equal to the total amount of these outstanding. HMPPS manages its credit risk by undertaking background and credit checks prior to establishing a debtor relationship. HMPPS has no collateral to mitigate against credit risk.

### Interest rate risk

HMPPS is not exposed to significant interest rate risk. Most of the cash balances carry nil or fixed interest rates.

### Liquidity risk

HMPPS's financial liabilities are trade payables, other payables, accruals and finance leases. It is unlikely that HMPPS will encounter difficulty in meeting its obligations associated with these liabilities, as it is financed by the MoJ, whose resources and capital are voted annually by Parliament.

### Foreign currency risk

HMPPS undertakes few foreign currency transactions and is not exposed to significant exchange rate risk.

## 20. Special shares

All of the shares held by the Secretary of State for Justice in each of the 20 Community Rehabilitation Companies were redeemed at their nominal value on the termination of the contracts in June 2021.

## 21. Related party transactions

HMPPS is an Executive Agency of the Ministry of Justice (MoJ), which is regarded as a related party. During the year HMPPS has had material transactions with the MoJ and other entities for which the MoJ is regarded as the parent entity.

HMPPS has also had material transactions with a number of other government departments and central government bodies. The most significant of these transactions have been with HMRC, Home Office, Department for Work and Pensions and Cabinet Office: Civil Superannuation.

In accordance with the requirements of the FReM these transactions have not been reported.

No board member, key manager or other related party has undertaken any material transactions with HMPPS during the year.

## 22. Events after the reporting period

In accordance with the requirements of IAS 10, events after the reporting period are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General.

On 1 September 2022 Amy Rees (formerly HMPPS Director General for Probation, Youth and Wales) was appointed as

HMPPS Director General Chief Executive Officer and as Accounting Officer for HMPPS. Former CEO Dr Jo Farrar will continue in her role as Second Permanent Secretary of the MoJ.

Following the death of Her Late Majesty Queen Elizabeth II in September 2022, and the accession of His Majesty King Charles III, the full name of the Agency changed from Her Majesty's Prison and Probation Service to His Majesty's Prison and Probation Service. The working name of HMPPS remains unchanged.

In the period after the reporting date there has been significant volatility in both investment markets and exchange rates. As this is the result of events which occurred after the balance sheet date, this is a non-adjusting event under IAS 10. We do not consider that any meaningful mid-year estimate of the impact can be made, however the net impact of all movements throughout the year will be reflected in the pension scheme asset and liability figures at 31 March 2023. The proportion of the fund's investment and therefore exposure to government and corporate bonds was low and any negative movement was largely offset by other investments in its portfolio. No significant change in the fund's asset allocation was required and there has been no ongoing impact in terms of the fund's liquidity. Investment strategy is managed on behalf of HMPPS by GMPF and is not in the direct control of the Agency, therefore no action has been taken by HMPPS in relation to the recent market volatility.

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